FINANCIAL TIMES

No. 27,422 Tuesday November 29 1977

CONTINENTAL SELLING PRICES: AUSTRIA Sch.15; BELGIUM Fr.25; DENMARK Kr.3.5; FRANCE Fr.3.0; GERMANY DM2.0; ITALY L.500; NETHERLANDS Fl.2.0; NORWAY Kr.3.5; PORTUGAL Esc.20; SPAIN Pts.40; SWEDEN Kr.3.25; SWITZERLAND Fr.2.0; EIRE 15p

NEWS SUMMARY

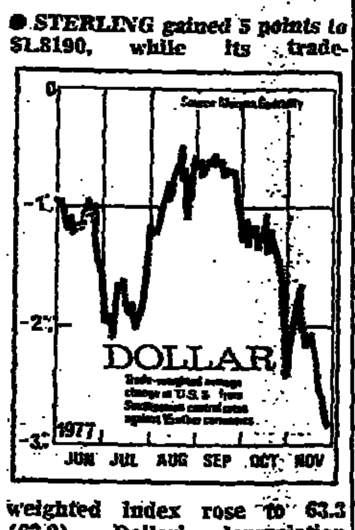
BUSINESS

Equities fall 1.5; gilts easier

● LEADING EQUITIES eased as very thin trading brought an unsettled start to the new Account. The FT 30-Share Index, down 3.8 at noon, closed at 464.5, off 1.5 on the day.

● GILTS shed early gains and closed with falls to ¼. The FT Government Securities Index slipped 0.31 to 74.01.

● STERLING gained 5 points to $1.8190, while its trade-



weighted index rose to 63.3 (63.2). Dollar's depreciation widened to 2.84 (2.77) per cent.

● GOLD rose $3.25 to $161.625.

● WALL STREET fell 4.85 to 839.57.

● U.S. TREASURY Bill rates at this week's auction: threes 6.057 (6.084) per cent., sixes 6.371 (6.385) per cent.

● TWO FURTHER sterling bonds have been launched. Fisons is raising £10m. and the European Investment Bank is raising £25m. Page 34 and Lex.

● PLATINUM price is being increased by one of the leading producers, Rustenburg of South Africa, from $162 to $175 a troy ounce. Page 29

Decision to-day on ship work for Swan Hunter

● BRITISH SHIPBUILDERS will decide to-day whether Swan Hunter is to get its intended share of the Polish ships order. Union officials will urge outfitting craftsmen to lift their overtime ban in order to obtain the Polish work. Back Page

● GOVERNMENT proposes to amend the Fair Trading Act to ensure that the requirements of its industrial strategy are taken into account when assessing the merits of proposed mergers. Page 9. Feature and editorial comment, Page 18

● BP is expected to give the go-ahead for the £1bn. development of its Magnus field in the North Sea within the next two or three months. Page 9

● VOLKSWAGEN is considering setting up a car plant in Iran in a deal similar to that signed recently by Iran and Peugeot of France. Page 8. Subaru range of Japanese cars is being introduced in the U.K. this week. Page 10. Toyota is negotiating to import parts from the U.K. and France. Page 8.

● U.K. CONSORTIUM led by Herbert Morris has won a $25m. contract to supply equipment for a new industrial centre in Korea. Page 8

● EXPERIMENT in communications between a company and the people who own it will take place in Brighton to-day, when Shell U.K. will discuss its activities at informal meetings with shareholders. Page 10

COMPANIES

● J. H. FENNER made record pre-tax profit of £8.41m. (£7m.) in the year to September 3. Page 28

● MONTEDISON'S senior vice-chairman, Sig. Alberto Grandi, has resigned in a further shake-up in the management of the Italian chemical concern. Page 34

EF PRICE CHANGES YESTERDAY

es in pence unless otherwise indicated.)

RISES:

Invests.	49	+ 4
n (J.)	237	+ 4
reway	214	+ 12
berlain Phipps	35	+ 3
Bros.	51	+ 4
(G.)	122	+ 28
rated Chemical	75xd	+ 4½
	272	+ 6
on Bros.	460	+ 383
vood Williams	57	+ 4
Intl.	92	+ 5
ustries	147	+ 8
Inv. & Finance	71	+ 6
s Dyers	75	+ 4
lemit	98	+ 4
ra	30	+ 8
head (J.)	225	+ 5
Siebens (U.K.)	298	+ 16
Anglo Amer. Corp.	266	+ 8
Cons. Gold Fields	167xr	+ 8
Falcon Mines	165	+ 12
Free State Geduld	£12	+ ½
MTD Mangula	50	+ 7
Southvaal	402	+ 19
Union Corp.	272	+ 7
Vaal Reefs	£12¼	+ ⅝
Wankie Colliery	36	+ 4
West Drie.	£19¾	+ ⅜
Western Hldgs.	£14¼	+ ⅜

FALLS:

Treasury 14% 1982	£113¾	− ⅛
Treasury 10% 1992	£90	− 1
Dykes (J.)	21½	− 6½
Hawker Siddeley	166	− 6
Hestair	107	− 7
Racal Electronics	202	− 11

Egypt less isolated over peace initiative as Syria softens line

BY ANTHONY McDERMOTT

Egypt's isolation in the Arab world appeared last night to be lessening. While President Assad of Syria declared that there were disagreements but no "divorce" between the two countries, King Hussein of Jordan became the first frontline Arab state leader to praise the "great courage" of President Sadat and Egypt's peace initiative with Israel.

King Hussein, speaking to the Jordanian people on TV, said Egypt's initiatives had broken down barriers which hindered a just settlement and peace in the Middle East.

The confusion among Arab countries opposed to President Sadat's initiative intensified yesterday, further strengthening Egypt's position.

Some countries—notably Syria—have agreed to attend the anti-Egypt Arab summit being organised in Tripoli. However, Iraq announced plans for a rejectionist summit next week in Baghdad, composed of Algeria, Libya, Syria, South Yemen, the Palestine Liberation Organisation (PLO) and the hard-line Palestinian "rejection front."

President Assad, addressing a Damascus Press conference, went out of his way to keep his options open. He continued his criticism of President Sadat's initiative, saying that his visit to Israel "has created more obstacles in the way of the Geneva peace conference," but he refused to rule out the possibility of that conference being held.

He also indicated Syria's willingness to reconcile with Iraq, but it was maintained in Damascus that no progress had been made so far in this respect.

[Meanwhile, Mr. Abdel Khaddam, the Syrian deputy premier, arrived in Moscow for talks which are expected to take up possible Syrian-Soviet joint action following President Sadat's visit to Israel, writes David Catter in Moscow. Mr. Khaddam, the first senior Arab official to make contact with the Soviets since the Sadat Israel visit, was welcomed at Moscow by Mr. Andrei Gromyko, the Soviet Foreign Minister.]

King Hussein's statement must increase Syria's concern at possibly being isolated. But the king, too, was being cautious, for he said he was willing to attend the Cairo conference if all Arab parties concerned with the Middle East conflict attended, just as he would attend the Tripoli summit, if all Arab states were present.

Cairo view

Roger Matthews adds from Cairo: Egyptian officials remain undismayed that only Israel has so far accepted President Sadat's invitation to a Cairo conference next week.

It was emphasised that as the formal invitations only went out on Sunday night it was still too early to conclude that there would be only one acceptance, and that the meeting would therefore be a lower level repeat of the Jerusalem talks between Mr. Sadat and Mr. Begin, the Israeli Prime Minister.

Within the context of the past 29 years the fact that an Israeli delegation was coming to Cairo should be considered as substantial progress, said one senior Egyptian diplomat.

A new atmosphere had been created, he argued, and the stage was set for other nations to join in the peace moves, if and when they desired.

The abruptness of President Sadat's initiative, coming so swiftly after his visit to Israel, and similarly without consultations, suggests that he expected the majority of invitations to be refused. This view is supported by the President's ever more emphatic statements on his willingness to go without any other Arab nations to a reconvened Geneva peace conference.

But there is also an increasing restlessness among those Egyptian officials who were anyway doubtful about Mr. Sadat's policies. They point to the still glaring absence of a single Israeli concession that could be held up as a sign that a just and lasting peace can be achieved by these tactics.

They fear that Mr. Begin's Cabinet feels strengthened in its

Continued on Back Page

Jordan and U.S. react. Page 7

Big banks differ on base rate rises

BY MICHAEL BLANDEN

THE BIG BANKS yesterday took different views on overdraft rates following the sharp 2 per cent. jump in the Bank of England's minimum lending rate on Friday to 7 per cent.

National Westminster responded first, raising its base rate for lending by 1½ per cent. to 7½ per cent. Lloyds then took a competitive edge by announcing an increase of only 1 per cent. to 7 per cent.

Barclays and Midland are keeping their options open until the market trends become clearer, holding their base rate at 6 per cent. As a result, borrowers are temporarily in the exceptional situation of having three loan rates to choose from.

The changes mean that the top-quality corporate customers of Lloyds will pay 8 per cent. for their overdrafts, while at NatWest they will be charged 8½ per cent. Other borrowers will pay up to about 12 per cent. at Lloyds and ½ per cent. more at NatWest.

The two banks also differed over the rate they pay to their branch depositors, though both took the opportunity to widen their margin of profitability. NatWest increased its seven-day deposit rate by 1 per cent. to 4 per cent., while Lloyds went up only ½ per cent., to 3½ per cent.

The differences reflect the continuing uncertainty in the money markets after last week's sudden adjustment in rates. At Lloyds Mr. John Montgomery, the chief general manager, said that the bank's 1 per cent. increase in lending rates was in line with current market rates.

He added: "Should there be a further rise in the general level of rates we may well have to increase our base rate further."

Mr. Alex Dibbs, the group chief executive of NatWest, said the bank was restricting its increase to 1½ per cent., compared with the 2 per cent. MLR rise, and commented that at 7½ per cent. the base rate remained low by the standards of recent years.

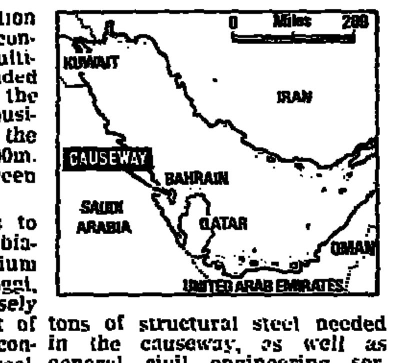
"We hope that further increases will not be necessary and that a period of stability will assist in encouraging sound investment demand."

£ in New York

—	November 28	Previous
Spot	$1.8165-8175	$1.8125-8195
1 month	0.05-0.15 prem	0.08-0.05 pm
3 months	0.04-0.09 prem	0.15-0.05 dis
12 months	1.05-0.55 dis	1.00-0.20 dis

U.K.-Arab bid for £440m. road work

BY JOHN EVANS



THE BRITISH Steel Corporation and Tarmac have formed a consortium with the Triad multinational conglomerate headed by Mr. Adnan Khashoggi, the prominent Saudi Arabian businessman, to tender for the construction of an $800m. (£440m.) causeway between Saudi Arabia and Bahrain.

The formation of what is to be called the Saudi Arabia-Bahrain Causeway Consortium was disclosed by Mr. Khashoggi, whose Triad group is closely involved in the development of the Saudi economy, and confirmed yesterday by British Steel.

The project—one of the largest in the Middle East — is to be financed completely by Saudi Arabia. According to Mr. Khashoggi, the consortium's plan embraces a bid of more than $1bn. (£650m.) in all for building not only the 16-mile causeway but also a new town for 5,000 people in Bahrain.

The causeway project is the largest single contract sought by British Steel in the Middle East and one of the largest non-military contracts for British interests in the area. Tenders are to be called next year.

The related proposal for constructing a permanent town is aimed at accommodating the large workforce needed for the project and supplementing Bahrain's housing facilities.

The corporation's Redpath Dorman Long division and Tarmac Overseas will head the British side of the consortium. Other British construction groups are expected to join.

Triad is heading the Arab side, which includes Al-Nasr, a Saudi company. One of Saudi Arabia's biggest banks will be involved and negotiations are understood to be taking place to include several Bahraini companies.

Redpath Dorman Long will provide the estimated 200,000 tons of structural steel needed in the causeway, as well as general civil engineering services.

That Saudi Arabia will bear all the cost of financing the project is a feature of the contract which will make for keen international competition. This is an attractive element for British companies, some of whom in the past have been squeezed out of the biggest Middle East projects because of financing problems or lack of supporting advance payment guarantees and related bonding facilities.

The Export Credits Guarantee Department is likely to be brought in over the question of these guarantees. A financial package may be needed for the new town project, and the department could be involved there.

What some British participants in the consortium are especially eager to see is firm political backing from Whitehall.

"While there are no problems on the financing front, we hope for firm Government support and influence at the political level in the Arab capitals involved to help us with the contract," British Steel said.

Detailed designs for the four-lane causeway, which will incorporate a number of bridges to allow the passage of ships, started being drawn up in July.

The Saudi Government has appointed a group of consultants headed by Kansam, of Denmark.

Wall Street investment bankers agree to merge

BY JOHN WYLES — NEW YORK, Nov. 28.

THE MERGER FEVER which has gripped the American securities industry for much of this year has brought together two of Wall Street's oldest companies, Kuhn Loeb and Lehman Bros.

After several weeks of discussions the two companies reached agreement at the week-end on a merger which they hope to complete by December 16.

Both are major investment bankers and the new combination will have a capital approaching $78m. with ownership vested in a holding company and operations carried out under the name Lehman Brothers Kuhn Loeb Inc.

The merger pace on Wall Street has been virtually unprecedented this year as hitherto proudly independent companies have sought companionship in defence against declining commission income and sharpening competition. Fresh impetus has been given by the Securities and Exchange Commission, whose proposal to abolish restrictions on trading off the floor of the New York Stock Exchange from January 1 has raised the spectre of dealers making markets in listed securities with the most profitable business going to those with the strongest capital bases.

Just a handful of the companies which have joined forces this year are Dean Witter and Reynolds Securities, Bache and Co. with Halsey Stuart and Shields Model Roland, Drexel Burnham with William D. Witter, and Paine Webber with Mitchell Hutchins. Some 25 companies now account for 64 per cent of the securities industry's business.

Kuhn Loeb's name has been linked with a number of possible partners this year, including Shearson Hayden Stone and Paine Webber.

Mr. John Schiff, 73, its chairman, belongs to a family dynasty which has controlled the company for five generations.

He is the grandson of Jacob Schiff, who arrived in the U.S from Germany in 1873, and was the son-in-law of Solomon Loeb, one of the co-founders of the company in 1867. Mr. Schiff's sister was for many years publisher of the New York Post until its sale last January to Mr. Rupert Murdoch, while Mr. Schiff himself is a well-known racehorse owner.

The family's stake is often said to be about $7m. or just over a third of the company's capital.

Mr. Schiff will be honorary chairman of the new company, while his son, David, 40, at present vice-chairman of Kuhn Loeb, will be on the Board of the combined firm.

Mr. Peter G. Peterson, Lehman Bros'. chairman and president, will carry the same title in the new company.

The link with Kuhn Loeb will strengthen Lehman's overseas investment banking business while giving Kuhn Loeb, which has just five U.S. offices and 75 sales staff, a much stronger foothold in securities brokerage, bond trading and asset management.

Mr. Schiff and Mr. Peterson claimed in their joint statement to-day that the companies "complement each other to a remarkable degree," adding that together they would be a significant force in the investment banking securities trading and fixed income markets.

Kuhn Loeb and Lehman Bros., which was founded in 1859, have both been profitable in the recent difficult years for the securities industry.

Lehman completed its fiscal year at the end of September with an impressive net profit of well over $20m. Kuhn Loeb is reportedly facing a small loss this year, for the first time since 1973, because of a trading loss in Government national mortgage association securities.

Setback for NYSE members. Page 34

Dock strike pushes U.S. trade deficit to record $3.1bn.

BY JUREK MARTIN, U.S. EDITOR — WASHINGTON, Nov. 28.

DISTORTIONS IN trade flows caused by the East and Gulf Coast docks strike pushed the U.S. trade deficit to a record $3.1bn. in October.

The September deficit had dropped considerably to a relatively modest $1.7bn. as exporters strove to beat the strike deadline, but last month's returns produced a fall of over $1.7bn. in the volume of exports to $9.2bn., the lowest monthly figure since March last year.

Imports remained more constant, falling last month by only about $350m. to $12.3bn.

So far this year, imports have been above the $12bn. level for seven of the 10 months, while exports have topped $10bn. only five times.

The October returns mean that the U.S. trade deficit for the first 10 months has now reached an unparalled $22.4bn.

The Administration has acknowledged that for the full year it could well be about $30bn., a forecast that, dock strike distortions or not, seems likely to be quite accurate.

Oil imports remained a pervasive factor in the deficit in October. Seasonally adjusted, their value fell last month to $3.56bn. from the $3.7bn. of the previous month, but no significant conclusions can be drawn from this slight decline.

On the export side, the principal declines last month were suffered by sales of heavy machinery and equipment (down over $500m.) and of wheat and soyabeans (collectively down nearly $250m.).

Higher GNP forecast Page 6
Lex, Back Page
Fukuda reshuffles Cabinet Back Page

Mrs. Courtenay Slater, the Commerce Department's chief economist, stressed that "temporary factors" lay behind the record October deficit. But she added, "the imbalances in the world economy continue to be a cause for concern."

Colin Millham adds: The D-Mark and Swiss franc rose to record levels against the dollar yesterday afternoon, following publication of the U.S. trade deficit.

Earlier in the day the foreign exchange market had been fairly quiet but nervous ahead of the October trade figures, with the West German Bundesbank supporting the dollar on a small scale at the Frankfurt fixing.

Other central banks probably continued to sell D-Marks to keep currencies, such as the Belgian franc, within the permitted limits of the European currency "snake."

The D-Mark touched a record DM2.21 in terms of the dollar, and the Swiss franc a best-ever Sw.Frs.2.14, but there was little reaction from the Japanese yen.

Before European markets opened yesterday, it was reported that the Japanese authorities had intervened in a small way to hold the yen below Y240, and it closed at Y240.25 in London.

Market sources suggested that this may have been the result of further intervention by the central bank through commercial banks in London, but could also have been a natural movement following the Bank of Japan's determined support at about this level last week.

FEATURES

ON OTHER PAGES

Job creation fallacies

BY SAMUEL BRITTAN

NINETY-NINE people out of a hundred would probably say that the Government should spend money on job creation. If any of them privately preferred tax reductions instead they would quite likely feel ashamed to owning up to such lack of virtue. Yet this attitude says more for people's moral fervour or guilt feelings than their logical acumen. For the whole idea of spending money on job creation is an absurdity unless very heavily circumscribed and qualified.

Job creation normally means spending money to put people into employment. But if more cash spending is what is really required, what edge has the Government's pound over a pound spent by you or me? If more spending means more jobs, it might as well be on the products which people want to buy rather than on holes in the ground, or subsidies to loss-making companies.

Danger

"But isn't there a danger?" the silly-clever will ask, "that taxpayers will actually save some of their tax remissions?" If this really is a danger, the tax cuts could be that much larger — which would be justified on almost any economic theory. The Budget deficit would be larger, but also easier to finance. Or a tax cut could be combined with an anti-savings campaign. The latter is in any case the logic of the argument that more spending will mean more jobs. As for those who think the balance of payments a problem, surely a building worker will spend just as much on imports if he is employed in public works as if he is constructing a shed in one's own back garden?

Of course the real reason why the Government hesitates to increase spending — either its own or other people's — is the fear that this would cause inflation to rise again. If an increased Budget deficit is financed without increasing the money supply this danger will be less; but in that event the spending stimulus will be largely cancelled out (either by a rise in interest rates or by an overseas capital inflow leading via a rise in the exchange rate, to a reduction in the current payments surplus).

The real problem is how to increase the level of activity which can be tolerated without re-igniting inflation. In other words it is the familiar one of reducing the sustainable or "natural" level of unemployment.

But can we rescue any elements of sense from the "spending on jobs" absurdity? Yes, if we really try. If Government spending were directly channelled to areas and types of labour of specially heavy surplus, there would be less risk of re-igniting inflation than with a general all-round boost. This is the logic of a regional programme, which one could claim was reducing the sustainable unemployment rate.

Although *a priori*, such a defence is possible, it is profoundly unconvincing. First, workers in high unemployment areas themselves largely spend their wages on products from elsewhere and an allowance would have to be made for that. Secondly, constituency and political pressures would ensure that a lot of the spending did in fact take place for types of labour in reasonably short supply. The North East is not one depressed homogeneous mass of hopeless unemployment. Thirdly, such special spending programmes often give union leaders the impression that if they tried to hog the benefits in higher wages, further spending injections will follow from governments calculating "in real terms." And who is to say that they are wrong?

Subsidies

A similar case can be made for spending on subsidies directly related to youth unemployment. The argument here would be that because of rigidities in union and conventional wage structures young people cannot price themselves into jobs at a wage which reflects their true earning power. But the implication is that trade unionists would be willing to accept an effective widening of differentials by means of subsidies which they would not accept directly through the labour market, and as taxpayers they would be footing part of the bill. One should be suspicious of plans which depend on fooling people.

The most promising type of job creation would appear to be Government investment in productive enterprise—if it is thought that physical capacity is a constraint on total employment. But Government investment could well be at the expense of private investment unless Government current spending is also reduced to prevent the Budget deficit increasing. But why should such a combination be preferable for investment to a lower budget deficit *per se*, which would reduce real interest rates, or borrowing from overseas?

Hidden battles that boosted Beaune prices

WINE

BY EDMUND PENNING ROWSELL

The high prices paid at the Hospices de Beaune auction, for well over 100 years normally held on the third Sunday in November, are often misunderstood. After a few extravagant figures are publicised in the world's press, appalled fine-wine drinkers everywhere decide, temporarily at least, that after all bordeaux is the better buy; and so it would be if the prices paid in the physically and psychologically over-heated Beaune market-hall were typical.

In fact, however, this yearly Vente des Vins is a special occasion. The popular fiction is that the charity aspect accounts for many of the high prices. Indeed the Hospices counts on this annual supplement to its state-supplied finances to make many improvements; and will now be well-satisfied with the 6.64 million francs (c. £750,000) that it has netted this time.

Yet it is more accurate to attribute the prices paid for wine often still fermenting and whose quality even experts cannot properly assess, to the publicity which the sale engenders, particularly within France and in some neighbouring countries.

For this reason the firm of Patriarche for years made sure of securing the first, TV-filmed lot in the sale. Last year, however, M. Henri Maire, the Arbois proprietor of many rolling Jura vineyards, who wishes to add part at least of Burgundy to his fief, successfully outstripped Patriarche at this first fence, and later bought other lots too.

This M. Andre Boisseau, Patriarche's head, was clearly determined not to allow again. So with bids going up from a very low level in only 100-franc bids, a 40-minute battle ensued for the initial lot of seven casks of the Corton Cuvee Dr. Peste. (The London auctioneers would have disposed of it within two or three minutes and the whole 32 cuvees, which took nearly five hours to sell in Beaune, in under an hour.)

Eventually Patriarche secured the wine for a record Frs.33,900, which with a 7 per cent. additional tax, would mean an opening retail price here of not much below £25 a bottle. M. Maire went on to acquire the second and third lots of the same wine for Frs.18,100 apiece, but even then his success was evidently not popular, for whereas M. Boisseau was applauded, for the first time in my experience at this event some boos were directed at the unperturbed M. Maire.

These prices did not prove typical. Among the whites the small 2½-cask Corton Charlemagne Cuvee Francois de Salins made Frs.20,400 a cask, but the average price per cask for the 585 hogsheads sold was Frs.11,087 —a 12½ per cent. increase on last year.

Perhaps the most significant aspect this year was the large number of foreign purchasers and their origin. For while there were notably fewer bids from the leading merchants of the region, there were many more from the Belgians, Swiss, Americans and Germans. Even the Quebec Liquor Board bought—perhaps in return for the exceptional welcome given only a few weeks ago in Paris to their Prime Minister.

Since only four buyers' names may be attributed to each lot immediately after it has been knocked down, it is impossible to be precise, but no fewer than 20 part-lots were ascribed to Belgians, 17 to Swiss and nine to Dutch. The U.S. and U.K., notably absent from the bidding in recent years, were rather more prominent, with 10 and six buyers nominated respectively. In all, foreign buyers had a share in 40 of the 73 lots of wine.

Before the sale, leading merchants to whom I spoke expected prices to be higher than last year, but were not too pleased when their prophecies were borne out. For with a vintage clearly inferior to its predecessor, they hoped for a stabilised market.

Unfortunately, owing to the shortage of stocks after a series of indifferent vintages prior to 1976, along with a resumption of demand at home and abroad, the traders are bound to buy these problematical '77s at enhanced prices, if they wish to stay in business. Overall the rise in burgundy prices over the '76s at this time a year ago is around 20 per cent., and could go higher. But will buyers accept these?

As to the effect of prices at the Hospices auction on general levels in Burgundy, it is commonly said in Beaune that the former are irrelevant, but in fact they have an indirect impact.

First, because this sale and even more the simultaneous enormous exhibition at the Hotel de Ville, with rows of bottles stacked on stepped racks like a massed choir in the Albert Hall, provide the first opportunity for assessing the vintage and for comparing growers' wines. Secondly, the level of prices paid at the Hospices gives some indication of the state of the market and its degree of acceptance of the new vintage.

I was not surprised, therefore, in a leading Beaune merchant's office the morning after the auction when a broker rang up from Chablis to say that prices were 10 per cent. up from that moment. It was, however, a crop cut by about a third compared with 1976, owing to early spring frosts that alone in Burgundy hit Chablis.

How good are these '77 burgundies? Being picked a clear month after the '76s, they are still particularly difficult to taste. That at present they are excessively acid no one denies, but most say that this will decrease sharply when the second, malo-lactic fermentation is over within the next few weeks or so. Some suggest that then the wines may even have too little acidity, especially the whites which are generally reckoned less promising than the reds. The unresolved question is whether either have sufficient underlying fruit and depth of flavour.

Certainly much depends on how the wine was made and the yield per hectare. The authorities have allowed substan[tially] increased crops for the v[arious] appellations: 55 hl. per h[ectare] Meursault instead of the 35 hl, and 40 hl. in plac[e of] 30 hl. for the Grands Crus c[of the] Cote de Nuits. Those with fully controlled moderate y[ields] may turn out best. I sa[w] one or two '77 Beaunes above average in fruit, o[thers] grindingly green.

There is some talk tha[t the] reds will surpass the acceptable but probably [short-]lived '73s; others are even optimistic and make tem[pting] comparisons with the excellent '72s. But prop[hecies] about the whites, always s[low] to finish fermenting, are f[...]

Fortunately, we consu[mers,] unlike the merchants, do [not] have to make up our min[ds in] a hurry. What is certain is the '77s are not up to the [...] of which I was able to [...] examples from both slop[es of] the Cote d'Or and in Ch[ablis.]

The best vintage in red [bur]gundies since '71 and in w[hites] since '73, it should, with due caution and advice a[s] necessary for variable burg[undies,] be snapped up without del[ay as] soon as the wines are adeq[uately] listed here. They are th[e] likely to mature reaso[nably] quickly.

Legal Branch should start promising day for Gifford

RACING

BY DOMINIC WIGAN

JOSH GIFFORD, who in the short time that he has been a professional trainer, has picked up more than £200,000 in prize money, raids Plumpton and Huntingdon to-day.

The former National Hunt champion jockey — and this season's leading trainer in number of winners—sends Legal Branch and Toureen to Huntingdon—while relying on Royal Exchange and Mannyboy at Plumpton.

Each horse can be given a reasonable chance and it could well be yet another highly profitable afternoon for the Sussex trainer who seems certain to eclipse his previous best total of 57 winners in a season.

Possibly, his best prospects are at Huntingdon where the lightly raced Legal Branch runs in the first division of the Paxton Novices Hurdle.

A remote fourth of 12 on his seasonal debut behind Balloni at Wincanton, Legal Branch went on to Kempton where he did far better, leading a useful field of novices until the third from home in a division of the Vauxhall Novices Hurdle won by Live Spark.

Two outings will have brought Legal Branch on considerably and, with less to do, he is probably worth another chance. I take him to outpace the ultra-consistent, though rather one-paced Roundtown, who followed up a narrow Uttoxeter victory over Balloni by beating all except the runaway winner, Lucky Donation, at Southwell earlier this month.

Toureen, who beat Queen's College by a neck over the minor obstacles at Newbury last term, showed that he has a future over fences when finishing a respectable third behind Joe Kelly and St. Cadwalader in a division of Chepstow's Festive Novices Chase this month. From a good jumping family, the El Cid gelding looks to have a chance second-to-none in the poorly contested Tetworth Novices Chase half-an-hour after Legal Branch's event.

HUNTINGDON
12.45—Legal Branch***
1.15—Toureen**
1.45—Captain Cheeko
2.15—Doo'cot Park
2.45—Soon For Sale
3.15—Mister Parsley*

PLUMPTON
1.00—Faithful Mata
1.30—Royal Exchange
2.00—Subaltern
2.30—Flying Prince
3.00—Sovereign's Escort
3.30—Mr. Playbirds

Sport-for-young plan

THE CENTRAL Council of Physical Recreation is calling for a 14-point action plan to ensure greater participation and involvement in sport by young people, it was announced in London yesterday.

The major political parties, the TUC, schools, sports stars and local councils will all be asked to promote sport. And the council is to start an "action line" to enable youngsters to receive prompt advice by telephone.

Meissen vultures make £75,000 record at auction

SALEROOM

BY ANTONY THORNCROFT

A world auction record price was paid for Meissen porcelain at Christie's yesterday when a 27-inch-high pair of vultures, modelled around 1731 by J. G. Kirchner and J. J. Kandler, sold for £75,000 to a private U.S. collector. The birds, which are fire-cracked, were made for Frederick the Great's Japanese Palace in Dresden. The previous record for Meissen was the £60,000 paid at Christie's last October for a pair of bantam cocks, also modelled by Kandler.

The sale of continental porcelain totalled £271,645. Part of a Meissen service, supplied originally to Frederick the Great and presented by Nazi Germany in the 1930s to William Randolph Hearst, made a total of £71,206. It included a pair of large Meissen dishes, one painted with a tiger and the other with a brown bear, which were bought for £4,500 by the Antique Porcelain Company.

A Meissen figure of a parrot modelled by J. J. Kandler fetched £6,000 to the Antique Porcelain Company; and a documentary Meissen figure of a bagpiper, also modelled by Kandler, made £3,500 to Winifred Williams.

Sotheby's yesterday continued with the dispersal of the famous collection of books of the 19th century bibliophile, Sir Thomas Phillipps. This, the 32nd day of the auction, brought in £41,428. Quaritch paid £2,200 for a first 1499 edition of Dioscorides, and Israel bought a first, 1498, printed edition of Aristophanes' Comoediae Novem.

A minor auction of Old Master drawings brought in £15,985, with a best price of £440 for a 17th century study of a male nude from the Bolognese School.

In Hong Kong yesterday Sotheby's disposed of Chinese School paintings for £84,578, with a top price of £5,309 for George Chinnery's portrait of Margaret Erskine.

Back in London, at Christie's South Kensington, silver totalled £20,129. A silver tea service made by W. Comyns in 1911 realised £1,600.

The oriental ivories and lacquer auction totalled £83,807.

Meissen vultures
Pair sold for £75,000.

TV Radio

† Indicates programme in black and white

BBC 1

9.38 a.m. For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 How Do You Do! 2.14 For Schools, Colleges. 3.20 Pobol Y Cwm. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 a.m.). 4.20 Astronut. 4.25 Jackanory. 4.40 Animal Magic. 5.05 John Craven's Newsround. 5.10 Big John, Little John. 5.35 Ivor the Engine.
5.40 News.
5.55 Nationwide (London and South-East only).
6.17 Nationwide.
6.40 One More Time! (London and South-East only).
7.10 The Oregon Trail.
8.00 It Ain't Half Hot Mum.
8.30 Mastermind.
9.00 News.
9.25 Appeal for the Southern Indian Flood victims.
9.30 Play For To-day.
10.40 To-night.
11.30 Bellamy's Europe.
12.00 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Wales—5.10-5.35 p.m. Horses Galore. 5.55-6.17 Wales To-day. 6.40 Heddiw. 7.10 Pobol Y Cwm (send) pennod 9. 7.40-8.30 The Oregon Trail. 11.55 News and Weather for Wales.

Scotland—5.55-6.17 p.m. Reporting Scotland. 6.40-7.10 The Other One. 11.20 Help Yourself To Health. 11.45 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.17 Scene Around Six. 6.40-7.10 I Know the Tune—But I Can't Remember the Title! 11.55 News and Weather for Northern Ireland.

England—5.55-6.17 p.m. Look East (Norwich): Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South-West (Plymouth). 6.40-7.10 East (Norwich) Sporting Types; Midlands (Birmingham) Action; North (Leeds) Beneath the Pennines; North-East (Newcastle) Looks Natural; North-West (Manchester) Sad Cafe in Concert; South (Southampton) Long To Rain Over Us; South-West (Plymouth) Peninsula; West (Bristol) Black Roots.

BBC 2

11.00 a.m. Play School.
2.30 p.m. Trade Union Studies.
3.00 Inside the Press.
3.30 Politics Now—The Loneliest Job.
7.00 News on 2 Headlines.
7.05 Tele-France.
7.30 Newsday.
8.10 Floodlit Rugby League.
9.00 The Goodies.
9.30 The Water Margin.
10.15 The Man Alive Report.
11.05 Late News on 2.
11.15 The Old Grey Whistle Test.
12.00-12.05 a.m. Closedown: Gabriel Woolf reads "Growing. Flying. Happening." by Alastair Reid.

LONDON

9.30 a.m. Schools Programmes. 11.55 Felix the Cat. 12.00 The Wotsit from Whizz-Bang. 12.10 p.m. Rainbow. 12.30 A Ripe Old Age. 1.00 News plus FT index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 The Stars Look Down. 3.20 Looks Familiar. 3.50 The Sullivans. 4.20 The Sooty Show. 4.45 Magpie. 5.15 Sportsscene.
5.45 News.
6.00 Thames At 6.
6.35 Crossroads.
7.00 Get Some In!
7.30 Oh No It's Selwyn Froggitt.
8.00 Charlie's Angels.
9.00 Rock Follies of '77.
10.00 News.
10.30 Aycliffe.
12.00 Problems.
12.25 a.m. Close: Debby Cumming reads poems by Lucie Shaw.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 p.m. Anglia News. 2.00 Houseparty. 5.15 Emmerdale Farm. 6.00 About Anglia (including Police Call). 7.00 The Rolf Harris Show. 12.00 Police Surgeon. 12.30 a.m. Anthology.

ATV

1.20 p.m. ATV Newsdesk. 5.15 Mediterranean Venture. 6.00 ATV To-day. 7.00 Emmerdale Farm.

BORDER

†1.20 p.m. Border News. 2.00 Houseparty. 5.15 Out of Town. 6.00 Border News and Lookaround. 7.00 Emmerdale Farm. 12.00 Police Surgeon. †12.25 a.m. Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. 5.15 University Challenge. 6.00 Report at Six. 7.00 Treasure Hunt. 10.28 Channel Late News. 12.00 Pub Entertainer of the Year. 12.25 a.m. Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.25 a.m. First Thing. 1.20 p.m. Grampian News Headlines. 5.15 The Brady Bunch. 6.00 Grampian To-day. 6.05 Country Focus. 7.00 Sounds of Britain. 12.00 The Odd Couple. 12.30 a.m. Reflections.

GRANADA

1.20 p.m. This is Your Right. 5.10 This is Your Right (second showing of Lord Winstanley's earlier programme). 5.15 Crossroads. 6.00 Granada Reports. 6.30 Emmerdale Farm. 12.00 George Hamilton IV.

HTV

1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 5.15 Breaktime 5. 5.20 Crossroads. 6.00 Report West. 6.18 Report Wales. 6.35 Emmerdale Farm. 7.05 Happy Days. 7.35 Six Million Dollar Man. 8.30 Yer 'Tiz Then.

HTV Cymru/Wales—As HTV General Service except—1.20-1.25 p.m. Penawdau Newyddion Y Dydd. 4.20 Miri Mawr. 4.30-4.45 Seren Wib. 6.00-6.18 Y Dydd. 8.30-9.00 Sounds of Britain. 10.30 Gair Ar Gerdd. 11.15 World in Action. 11.45-12.15 a.m. International Darts.

HTV West—As HTV General Service except—1.20-1.30 p.m. Report West Headlines. 6.18-6.35 Report West.

SCOTTISH

†1.25 p.m. News and Road Report. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Scotland To-day. 6.30 What's Your Problem? 7.00 Emmerdale Farm. 8.00 Thingummyjig. 12.00 Late Call.

SOUTHERN

1.20 p.m. Southern News. 2.00 Houseparty. 5.15 The Undersea Adventure of Captain Nemo. 5.20 Crossroads. 6.00 Day By Day, including Southsport. 7.00 Emmerdale Farm. 12.00 Southern News Extra. 12.10 a.m. Police Surgeon.

TYNE TEES

9.25 a.m. North East News Headlines, followed by Starting Point. 1.20 p.m. North East News and Lookaround. 5.15 You Can Make It. 6.00 Northern Life. 7.00 Emmerdale Farm. 12.00 The Protectors. 12.30 a.m. Epilogue.

ULSTER

1.20 p.m. Lunchtime. 4.18 Ulster News Headlines. 5.15 Lassie. 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 7.00 Emmerdale Farm.

WESTWARD

12.27 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 5.15 University Challenge. 6.00 Westward Diary. 7.00 Treasure Hunt. 10.28 Westward Late News. 12.00 Pub Entertainer of the Year. 12.25 a.m. Faith for Life.

YORKSHIRE

1.20 p.m. Calendar News. 3.20 Calendar Tuesday. 4.20 Lassie. 5.15 Star Maidens. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 12.05 a.m. Police Surgeon.

RADIO 1 247m

(S) Stereophonic broadcast
(Q) Quadraphonic broadcast

6.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 It's D.L.T. OK! including 5.30 Newsbeat. 7.00 Beat the Record (joins Radio 2). 10.02 John Peel (S). 12.00-12.05 a.m. As Radio 2.

VHF, Radios 1 and 2:—

6.00 a.m. With Radio 2, including 1.55 Good Listening. 3.02 p.m. Among Your Souvenirs (S and Q). 9.02 The Musical World of the BBC Radio Orchestra with Marian Montgomery and David Brandon (S). 10.02 With Radio 1. 12.00-12.05 a.m. With Radio 2.

RADIO 2 1,500m and VHF

6.00 a.m. News Summary. 6.02 Colin Berry (S) with The Early Show, including 6.15 Pause for Thought. 7.02 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 9.02-11.30 Ray Moore's Open House (S) including 10.30 Waggoners' Walk. 11.30 Jimmy Young (S). 1.50 p.m. Sports Desk. 2.02 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Beat the Record. 7.30 Robin Richmond: The Organist Entertains (S). 8.02 League Cup Special (200 kHz only; 1,494 kHz as VHF). 9.30 Joins VHF. 10.02 Sports Desk. 10.05 Hubert Gregg at the London Theatre. 11.02 Ruth Cubbin with The Late Show. 12.00-12.05 a.m. News.

RADIO 3 464m, Stereo & VHF

6.55 a.m. Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Orlando Gibbons (S). 9.50 Academy of the BBC (S). 10.45 The Part-Song Repertory (S). 11.20 Music for Horn, Violin and Piano (S). 12.15 p.m. Midday Concert, part 1: Mozart, Sibelius (S). 1.00 News. 1.05 The Arts Worldwide. 1.25 Midday Concert, part 2: Dvorak (S). 2.05 Dmitri Alexeev, piano recital, part 1 (S). 3.00 Interval Reading. 3.10 Dmitri Alexeev, part 2. 3.50 A Little Light Music (S). 4.50 The Keyboard Suite Before Bach (S). 5.15 Jazz Today on records (S). 5.45 Homeward Bound (S). 6.05 News. 6.10 Homeward Bound (continued). 6.30 Lifelines: Work and Training. 7.30 Music in Question (S). 8.00 Royal Philharmonic Orchestra, concert, part 1: Prokofiev (S). 8.50 Anglo-American Relations and the War Against Japan. 9.10 Royal Philharmonic Orchestra, part 2: Rachmaninov (S). 10.25 "Ann" by Ian Dougall (S) (a young Soho prostitute describes her feelings towards Thomas de Quincey). 11.10 Liszt: violin and piano recital (S). 11.25-11.30 News.

RADIO 4

434m, 330m, 285m and VHF

6.15 a.m. News. 6.17 Farming Today. 6.35 Up to the Hour. 6.52 (VHF) Regional News. 7.00 News. 7.10 Today. 7.35 Up to the Hour (continued). 7.52 (VHF) Regional News. 8.00 News. 8.10 Today including news headlines, weather, papers, sport. 8.45 Yesterday in Parliament. 9.00 News. 9.05 Tuesday Call (from 9.40). †10.00 News. †10.05 Round Europe Quiz. 10.30 Daily Service. †10.45 Morning Story. †11.00 News. †11.05 Thirty-Minute Theatre. †11.35 Profile. 12.00 News. 12.02 p.m. You and Your Home and Family. 12.27 Desert Island Discs. †12.55 Weather, programme news VHF (except London and SE) Regional News. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour (from 2.00) including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 The Pickwick Papers (S). 4.00 News. 4.05 Gardeners' Question Time. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. †5.55 Weather, programme news (VHF) Regional News. 6.00 News. 6.30 The Burkiss Way. 7.00 News. 7.05 The Archers. 7.20 Time for Verse. 7.30 Where's the Key? 8.15 With Great Pleasure: Arthur Marshall with readings from some of his favourite writers. 9.00 Five-Sixths of the Way to the Moon. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 I'm Sorry, I'll Read That Again. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 News.

For Schools (VHF only) 9.40 a.m.-12.00 and 2.00-3.00 p.m.

BBC Radio London

206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 News Extra. 9.20 London Live. 11.03 In Town. 12.03 p.m. Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 In Town. 8.30 All That Jazz. 10.03 Late Night London. 12.00-close As Radio 2.

London Broadcasting

261m and 97.3 VHF

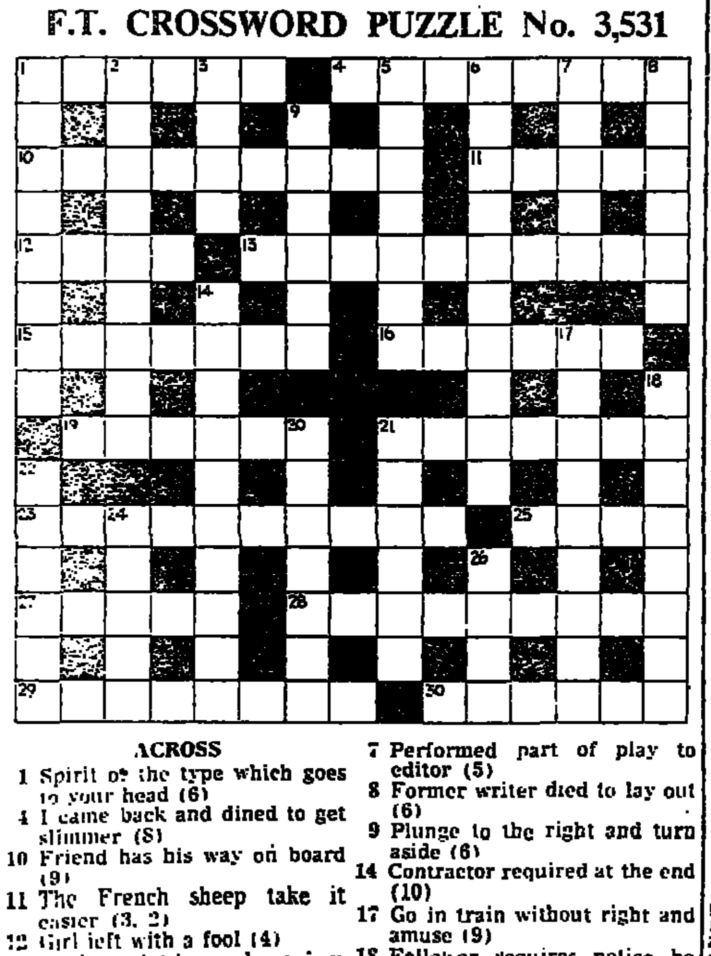
5.00 a.m. Morning Music. 6.00 A.M. with Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 2.00 p.m. LBC Report including George Gale's 3 O'Clock Call. 8.00 After 8—with Ian Gilchrist. 9.00-1.00 a.m. Nightline.

Capital Radio

194m and 95.8 VHF

6.00 a.m. Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash with Cash on Delivery (S). 3.00 p.m. Roger Scott with his Three O'Clock Thrill (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's rock programme (S). 11.00 Tony Myatt's Late Show (S). 2.00 a.m. Duncan Johnson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,531



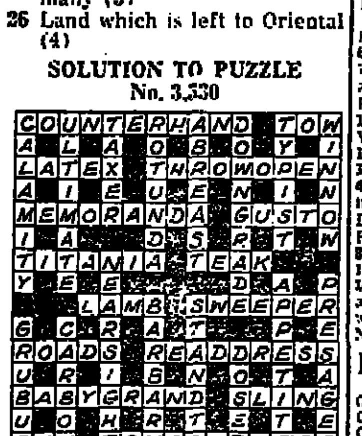
ACROSS

1 Spirit of the type which goes to your head (6)
4 I came back and dined to get slimmer (8)
10 Friend has his way on board (9)
11 The French sheep take it easier (3, 2)
12 Girl left with a fool (4)
13 Produce plot in pandemonium (4-6)
15 Fish with net or stringed instrument (7)
16 Publisher's reader—who may be poisoned? (6)
19 Young doctor is to order confinement (6)
21 Framed on horseback (7)
23 Charlatan has to get up on east side of river (10)
25 Cheese, for railways, that is (4)
27 Cogitate about slender bit of knowledge (5)
28 Member I abuse is to make laws (9)
29 Get radar set up for clothing manufacture (3, 5)
30 Source of oil from the earth (6)

DOWN

1 Bet stroke will create repercussion (4-4)
2 Acknowledgment about entrance fee (9)
3 Transport for dead fish (4)
5 Coin a note inside a tower (7)
6 Capture horses with a neck fastener (6-4)
7 Performed part of play to editor (5)
8 Former writer died to lay out (6)
9 Plunge to the right and turn aside (6)
14 Contractor required at the end (10)
17 Go in train without right and amuse (9)
18 Follower requires notice be tore apart (8)
20 Injured head lost blood (7)
21 Household in which people get older (6)
22 One who strikes Sergeant Major with it has to hesitate (6)
24 Employing some of us in Germany (5)
26 Land which is left to Oriental (4)

SOLUTION TO PUZZLE No. 3,530



g Vic

Double bill

by B. A. YOUNG

LC Housing Committee's to raise the rent of the Vic from £500 a year to s a bad advertisement new Tory bands at the What difference does make to them? To the Vic it means two-thirds ost of a production. It nappropriate to remind that the Young Vic, as one of the best audi- anywhere I know, was of an Arts Council ndation for a purpose- ung people's theatre in If they want to alter at all, they should reduce o, and so win themselves d opinion of countless sts.

ld like to go on by say- them. "Go and see the stuff they always put t Terence Frisby's Sea- tcard, which opens their bill, is pretty modest Mr. Frisby has tried to the spirit of the Donald postcards, but that spirit stretched beyond its in- pacts. What we have is nute scene on a Cornish where two married a young pair and only for a moment, and ntly) a dirty old man g a girl through binocu- change conversation that coarse humour but only s coarseness.

youngsters in the house responded to lines like "I like feeling your boobs" with happy treble laughter; but half an hour later you could see them talking to one another until their attention was attracted again by a lot of talk about farts. Mr. Frisby has directed the play himself without much success in evoking the necessary fun.

After the interval, though, you can see him in Tom Stoppard's *The Real Inspector Hound* as the theatre critic Birdboot, and this lifts us into another world. Here is a play that is as ingenious as it is witty, on a variety of levels, and it is given a lively performance. I think Jeremy James Taylor's direction errs on the side of exaggeration, though; what has to be done is all there in the script and there's no need to add anything. Malcolm Reynolds, Natasha Pyne and Joanne McCallum mock the stock characters of an old fashioned thriller without making caricatures of them; but Judy Wilson's Mrs. Drudge, Ian Taylor's Magnus and especially Peter O'Farrell's Inspector Hound seem to me to go too far.

Mr. Frisby and Teddy Green's conversation in the stalls, transferred in Carl Toms's ingenious set to the position of a stage box if they had such things at the Young Vic, makes some wonderfully funny digs at critics that no critic could resent.

val Hall

Curzon

by DOMINIC GILL

people will doubt that Curzon is the greatest English pianist. The Hall was nearly full for tal last night—the second ital only that he has given South Bank since the 950s. Yet the scattering ty seats must mean that ssage still has not struck home. Curzon is not our greatest pianist, but nong a handful of the pianists alive to-day. He ay a great deal more to London. And when he one should miss a note. s a miraculous recital. rs will no doubt have something on each page at: a muffled sequence wrong note grazed, just twice (but rarely) an in emphasis. But in all the playing was with- ult: extraordinary re- , of unique and exalted far beyond the reach of words. The sound, first: speaking sonority, like ver, alive with all of sudden alchemy—bril- hafts of colour in the vement of Beethoven's D sonata op. 31 No. 2, l light; the adagio, taken slowly, almost without tempo—a movement outside tempo, listening deep into the colour of every chord; a finale of the purest magic, fine-spun, buoyant, wonderfully poised.

The spell of five late Brahms pieces, chosen from the four sets opp. 116-119, was no less potent: an E flat Intermezzo—the "Schalaf sanft mein Kind" from op. 117—of the deepest pathos, drawn without the least sense of melodrama or self-conscious sweetness; an E flat minor Intermezzo op. 118 of terrible desolation, and at the last a terrible reconciliation; the little C major op. 119, deftly ambiguous, light and bittersweet.

After such a sequence, it was too much to ask, perhaps—even too much for an audience itself to sustain—that Curzon should continue with an account of Schubert's posthumous B flat sonata of the same concentration and density. I was sorry nonetheless that he missed out the first movement's exposition repeat—serious blow to the structure of the sonata. The music came lightly: and with love—intriguing performance, made with few of the customary tragic dimensions, but in clear, pale sunlight, at its brightest, close and warm.

's Head

Confession Fever

his really be the alterna- eatre? Peter Ling has d a nice little country setting with plenty of ams and cream paint. (Julia Goodman), visit- the day with her ex-actor l, Hal (John Castle), a pipe and tells her Beth, she is known in- as "cuddly-buttocks." Maureen O'Brien) is mar- a social worker. Martin s Fielding), who has patches on his tweed and an "involvement " with his clients. One a teenage dipsomaniac, gly turns up to plump herself on the sofa and join in what turns out to be a fairly torrid Encounter Group. I fully expected Gerald Harper to drop by and sort things out.

As it is, the chief agent of Terry James's brittle, reasonably amusing dialogue, is the unlikeable Hal, a character inhabited rather too smugly by Mr. Castle, who sprays the stage with sarcasm and sits waiting for the returns. I suspect that Madhav Sharma has directed the early scenes too indulgently, for by the time the cast take up the slack in the final moments, we are unprepared for the chilling truth game in the course of which old flames are quenched and the unfortunate teenager packed unceremoniously off home.

The truth is that, inside Mr. James's schematic confection, there is a West End comedy trying to get out. Entrances and exits are ingeniously prepared so that a series of dialogues between the characters can clear the air that hangs uncomfortably between them. Hal, who now runs a record shop, still hankers after Beth and, when Andrea takes Martin off to the pub, he tumbles on the carpet; as she wrestles free, Beth turns on him with "You're bloody unfit!" But she succumbs nonetheless, after relishing Hal's cruel comment to the effect that Martin ought to be directing avant garde theatre, not meddling in other people's lives.

Martin has quit his job in a flurry of frustration, but that seems unlikely to save his foundering three year old marriage. The play ends on a mock heroic strain, with Hal affecting a suicidal pose and closing the show with a look that spells resignation and a big semi-colon. Meanwhile . . . all we are left with to remind us that we are sitting in a fringe theatre is uncomfortable seating and a short burst of Lou Reed as the lights dim after the interval.

MICHAEL COVENEY

Ian Taylor, Judy Wilson, Rosalind, Boxall, C. J. Allen and Vicky Ogden

Trevor Humphries

Adelphi

A Good Night's Sleep

by CLEMENT CRISP

In the matter of galas, dancers know better than anyone else that brevity is the soul of festivity, and that short and jolly is the ideal. Alas, most galas are not organised by dancers—hence my lowered spirits when they are announced—but the Fatherless Families charity has an invaluable aide in Anya Linden Sainsbury. Every other year Mrs. Sainsbury organises a benefit performance that is a model of what galas should be, and for last Sunday's junketings she called upon Wayne Sleep to show off in company with his friends. And very entertaining it proved.

Mr. Sleep, a dazzling virtuoso dancer, is a darling of our audiences; as central figure—and sometimes compere—of the evening he was in fine form. With Lesley Collier he zipped through the Balanchine *Tarantella* that sparkles on the surface of Louis Moreau Gottschalk's piano piece of the same name; he tap-danced with a puppet dog; caught precisely the dreadful roguishness of Olga Korbut; and appeared as Tweedledum to Graham Fletcher's Tweedledee, and Lesley Collier's Alice, in a novelty by Sir Frederick Ashton. Set to Percy Grainger's *Country Garden's* and *Shepherd's Hey*, this is a caprice that starts off as a kind of "musical stools" and ends with the two monster boys quoting from *Façade* and the cygnets in *Swan Lake*, and it is merry throughout.

More remarkable was Anton Dolin's reconstruction of a solo from *Le Train Bleu* for Mr. Sleep. The ballet was created by Nijinsky around the athletic "stunts" (the correct period word) that Dolin so effortlessly performed.

Given by the Diaghilev Ballet in 1924 it was dropped from the repertoire when Dolin left the company, but this entrance for Le Beau Gosse suggests that some intriguing choreography was also lost thereby. The solo is brilliant in fixing show-off tricks into classical choreography: it is markedly original for its time, and Wayne Sleep gave it with a lot of panache. His bathing costume "after Chanel" is a brute, but the dance should not be lost, and Mr. Dolin, who took a much deserved curtain-call, has all our thanks.

Two more revivals were Dame Ninette de Valois's peacocking *Pride* solo of 1930, which she has re-mounted for Maina Gielgud, and Pavlova's 1915 *Dragonfly*, re-staged by Cleo Nordi for Margaret Barbieri: across the years the qualities of their creators can still be sensed. A homage to the past came also in Ashton's duet for Merle Park and Wayne Eagling set to fragments from Offenbach's one ballet, *Le Papillon*. Originally staged during the years of the Second Empire (Marie Taglioni choreographed it for the tragic Emma Livry, who died from burns), it has a pretty score, whose charms Ashton has caught in light, almost air-borne dances for both his interpreters. Miss Park was all imponderable speed; Mr. Eagling soared—a repeated leap finds him seeming to hover high in the air: the duet is a charmer. From the Royal Ballet also came the superb "odd girl out" sextet from the *Concert*, with Georgina Parkinson blankly aghast as matters go delicately and measurably awry.

Casting his dance net wide, Wayne Sleep involved artists from the musical theatre with an energetic group of dancers called "Hot Gossip," Miss Petra Siniawski, and Miss Nicky Croydon, who surmounted both an excruciating ditty called "Everything's beautiful at the ballet" and an outbreak of very small child performers. Linda Gibbs and Robert North were exceptionally good in the *Clair de Lune* duet from Robert Cohan's *Nymphéas*, and Lynn Seymour gave the second gala outing last week to Lar Lubovitch's *Skryabin Dances*. For this the organisers should have provided a piano, rather than the over-strung Iron Maid of Nuremburg lurking in the pit, on which Phillip Gammon battled, but Seymour transcended it, as she does the dull costume and indecisive choreography, and was beautiful.

John Curry also appeared, off the ice—though spiritually on it—in a "rehearsal of a solo" cunningly made by Gillian Lynne, which showed him off well, and he then joined Anthony Dowell in the Popular Song from *Façade*, just to show that he doesn't need ice, anyway. Great fun. Greater still the appearance of Miss Penelope Keith as the Lilac Fairy in a few jewel-like moments from the Vision scene in *Beauty* in which she dealt several blows for Truth, Art and Higher Things in company with Lesley Collier and Anthony Dowell. Not a conventional reading, perhaps, but meaningful, and with some convulsed prompting from Mr. Dowell, the old mime gestures acquired considerable force. I'd back Miss Keith's Lilac determination against any *Carabosse* any day.

In sum, a happy evening. Gratitude, as always, to Anya Sainsbury as mastermind of the festivities; and to Wayne Sleep and his companions for time spent, fees forgone, and energy expended in the cause of a worthwhile charity.

The Entertainment Guide is on Page 15

Festival Hall

Kubelik's Brahms

Rafael Kubelik revived an old debate by devoting his London concerts this week-end to the music of its opponents—Wagner on Friday, Brahms on Sunday. By calibre of performance, at least, the conductor and the London Symphony Orchestra declared themselves firmly on the Brahms' side; for Wagner was rather roughly and uncertainly treated, while the concert of the Third and Fourth Symphonies was an evening of warmly shaped and graded playing in the service of a mature and comprehensive view of the composer.

Mr. Kubelik does not concern himself with spit-and-polish precision of ensemble — after so many years of his appearances here, London audiences know this, and know that particularly at moments of commencement chording is liable to splay. But they know also that he has the gift, such as is in the possession of few other conductors to-day, of enriching solo lines and, for long stretches at a time, the whole orchestral tone with a free, romantic lyricism. When the LSO is persuaded to put aside its familiar image of aggressive, fiercely beaten brilliance in favour of lustre and deep-toned glow, as it did throughout Sunday's concert, then Brahms playing of exceptional beauty is the result.

This was not "merely" beautiful playing. It was alive to the distinct differences of character of each symphony. The easy-going rusticity of the F major work was a constant delight — memories of tender, lightly sprung staccatos in the Andante, the burnish on the cello opening of the third movement, are still vivid. Yet underneath there was an ever-present awareness of the work's romantic melancholy. The E minor Symphony, after the interval, was urgent without being hustled, passionate without any forcing of tone, with a close at once ringing, radiant, and tragic. Rare indeed the Brahms conductor who depicts autumn, the season most frequently associated with the mood of his music, as a time of passions and dramatic variety as well as mists and mellow fruitfulness.

MAX LOPPERT

Radio 3

Rubbra's Fourth Quartet

At 76, Edmund Rubbra continues to cast a musical radiance which may not dazzle, but glows steadily. Sunday's broadcast of his fourth and latest string quartet (relayed from the Sheldonian Theatre, Oxford) came at a time when, inadvertently as it were, he is on the verge of winning possibly his widest audience. His arrangement of a Polish carol, *Infant holy*, is included in Edward Heath's new choral-and-orchestral record, *The Joys of Christmas*.

That this carol arrangement is a piece of serious and sometimes contrapuntal composition—quite different from the sing-song, ding-dong material of most of the record—is typical of its composer. The careful unfolding of a melody that moves mostly by step, the poised balance of phrase against phrase, the interplay of rhythms in "madrigalian" fashion: these are, and have been, among the fingerprints of Rubbra's style. In the recent Tenth Symphony, for instance, the proportioning of the final section (barely half-a-dozen bars) to the whole work is accomplished with a master's hand.

Without meaning to suggest that the best thing about Rubbra's compositions is their conclusion, I could not help being struck with a similar inevitability in the final bars of the new quartet. It is a work of unusual shape and duration: two movements, the first of them the longer and itself subdivided, lasting in all about 16 minutes. If you become gripped (as I was) by Rubbra's harmonic idiom, in which every triad or other "comfortable" sound has to be won by struggle from the other notes, it cannot fail to impress as a beautifully sounding work and a deeply satisfying whole.

As expected, it is of flowing contrapuntal texture in which all instruments have individual and "speaking" utterance. In following the radio performance with the published score (Lengnick, £1.20), I admired the way that the Amici String Quartet managed the pace and balance so convincingly on the whole, though curiously the final G-major chord did not seem quite correctly weighted between the instruments.

ARTHUR JACOBS

Metropolitan Museum of Art, New York

Light on the Dark Ages

by DENYS SUTTON, Editor of Apollo

The taste of each generation generally corresponds to some of its chief preoccupations. The Victorians were strong believers in progress and found their ideal in the Renaissance, deriving their ideas from the writings of Jacob Burckhardt and J. A. Symonds. Many a collector or patron believed themselves to be in line of descent from the Medici.

Our period has different conceptions. The dramatic bravura of Caravaggio has appealed to a period accustomed to violence and to the dramatic effects of the screen. The so-called Dark Ages also exert their attraction, a rather macabre one, for we are conscious of the immense changes that are constantly occurring, and that the barbarians are at the gate and even inside the citadel.

The possibility of identifying our lot with that of the Romans in their decline gives a special flavour to the remarkable exhibition, "Age of Spirituality," which will be on view at the Metropolitan Museum until February 12. This show, which breaks new ground, will provide an impetus to scholarship and will introduce the general public to a new realm of aesthetic experience.

The exhibition which is arranged thematically, not chronologically, is divided into five "realms"—Imperial, Classical, Secular, Jewish and Christian. This stimulating method of presentation is not without dangers: the appearance in the final galleries of certain items suggests that they were executed later than those in the first ones. This is not always the case: for instance, the superb almost Baroque group of small marble statues representing the story of Jonah and the whale (from Cleveland) which dates from the third quarter of the third century is earlier than the chalcedony gem carved with the busts of two rulers, probably Maximianus Herculeus and his son Maxentius (Dumbarton Oaks).

This admirably chosen exhibition clearly demonstrates the relations between late antique and early Christian art and by doing so it not only sheds light on the transition from one culture to another but demonstrates the way in which the classical vocabulary could be adapted for Christian purposes.

Photographs and models have been used to remind us of the architecture, which includes such famous edifices as the Arch of Constantine and the Hagia Sophia at Constantinople; reproductions recall the mosaics.

The exhibition runs from the time of Constantine the Great, who founded Constantinople in 330, to the first siege of this city in 673. During these stirring and dreadful years, the Empire was divided into East and West (395), Ravenna became capital of the Western Empire (404), Rome was sacked twice and the Roman Empire in the West came to an end (476).

Contrary to what might be supposed, few works of art show any indication of these pressures. The sitters in some portrait busts betray a shade of anguish—the fifth century bust of Eutropius from Ephesos (Vienna) or the Lady of Rank from the cloisters for instance—but it is hard to be convinced that most of them reflect "spiritualisation and introspection." The principal note struck in many of the works in the show is that of a preoccupation with aesthetic or technical matters.

Most of the finest picus were done for the patriciate, such as the justly celebrated silver and silver-gilt marriage casket (The Esquiline Treasure) from the British Museum. This splendid item, which dates from the second half of the fourth century, celebrates the Christian marriage of a woman called Projecta and Turcius Secundus, and is ornamented with classical features. It stresses that a delight in elegance was characteristic of the late Empire; this may be seen in the exquisite jewellery.

A classical revival took place in the fourth century and was responsible for such marvellous ivories as the diptych made to celebrate a marriage between two grand families, the Nicomachi and the Symmachi (from the Cluny Museum) and the silver lanx, a masterpiece of late pagan art, which is lent by the Duke of Northumberland and which has been polished by generations of Jeeves'.

Various special subjects can be admirably studied in the exhibition, ivories for instance. A work such as the Justinian plaque (Louvre) shows the way in which the artist could present a symbolical image of the Emperor as the defender of the faith. This stance anticipates that used by Rubens for the equestrian portrait of the Duke of Lerma. This is not to say that the Flemish master knew this work; but he did own the fourth century agate vase with its luscious heads of Pan (Walters Art Gallery, Baltimore).

Jewish art contributed to the evolution of Christian art. The discovery of Dura-Europos on the River Euphrates in 1932 proved, to quote the brochure, that the "Jews were the first to represent Biblical stories on a vast scale and that Christian Bible illustration depended on Jewish antecedents." This point is made by the inclusion of an excellent coloured reproduction of a fresco from Dura.

The book illustrations of these centuries are little known except to specialists. The exhibition scores by the inclusion of a number of important items which enlarge the knowledge of the relationship between pagan and Christian art, this particular domain has recently been studied by Prof. Weizmann. Considerable differences in style may be noticed between the illustration of a Vergil with its charming naivety and robust colour from the Vatican Library and the elegant *Gospel of St. Mathew* (Bibliotheque Nationale, Paris) which is on vellum stained purple, a colour reserved for imperial use.

In certain cases the miniatures raise interesting questions about their derivation from the principles of Hellenistic illusionism and in others about the connections with Carolingian painting. No less intriguing is the information provided by this exhibition concerning the cross-fertilisation between the arts of the West and the Near East.

Berenson argued that the art of the late Roman Empire represented a decline in form. This view is no longer tenable; it has been increasingly realised that changes in mood prompted a way of seeing that was different from the prevalent Hellenistic ideal which had even reached India, as may be seen from Gandhara sculpture.

Many pieces in this exhibition triumphantly reveal that art remained alive during difficult times and that craftsmanship was of a high order. Can we say that early Christian art was of a truly spiritual nature? The mosaics at Constantinople or Ravenna or pieces such as the Archangel Michael (from the British Museum) and the figure of the young Christ (from the Museo Arceoligico) possess a spiritual quality. It is tempting to argue that Chinese art, so well represented by monumental sculpture in the gallery leading to this exhibition, more truly conveys a sense of divine presence than does the art of the West during these centuries.

William Blake exhibition

A major Blake exhibition, organised by the Tate Gallery in association with the Blake Trust, will be shown at the Tate next spring. It will be a fully representative exhibition of Blake's work comprising about 250 paintings, drawings and prints borrowed from public and private collections: a large number of works will be coming from the U.S.A. Separate pages from some of Blake's books will be included. These books have an unparalleled unity since Blake himself printed the texts as well as the illustrations which he subsequently coloured by hand.

The exhibition will open on March 8 and close on May 21.

APPOINTMENTS

TRUST INVESTMENT OFFICER

An International Investment Company offers an exciting opportunity to a mature, experienced trust officer to establish a Trust Department within the Company.

The incumbent must be a generalist with experience in placement of funds and portfolio management. He or she may take an active part in managing the Company's liquid assets and will advise the Company's clients on investment strategy for their portfolios. Clients are all foreign nationals.

The successful candidate is likely to have had European Money Market exposure and have been previously employed by an International Bank. A New York Market exposure will be a plus. As maturity and experience are essential, the preferred age range is 30-50 years. Salary commensurate with qualifications.

Interested candidates please submit detailed curriculum vitae to:
BOX A.6145, FINANCIAL TIMES
10, CANNON STREET, EC4P 4BY

DOCUMENTARY CREDITS MANAGER

Age 27+ £8,000+

As part of a substantial expansion programme, a prominent International Bank seeks to appoint an ambitious and motivated Banker to control and expand new Dept. The successful applicant will have a comprehensive understanding of Bills and Credits procedures on a global scale, gained from within a recognised Banking Institution. Prospects for advancement are considerable.

For further information, please telephone Rod Jordan

BANKING PERSONNEL
41/42 London Wall · London EC2 · Telephone: 01-588 0781
(Recruitment Consultants)

Swiss Financial Company seeks experienced executive for
CONFIRMING HOUSE ACTIVITIES
We offer high level compensations plus all benefits to a highly qualified person.
Write Box F.578, Financial Times, 10, Cannon Street, EC4P 4BY.

COMMODITY APPOINTMENTS LTD. requires Physical and Futures Traders, Trainees, Accountants and Support Staff for U.K., Europe, U.S.A. and Hong Kong. Tel. Graham Stewart, 01-438 1701.

GOURMET

GALLIPOLI RESTAURANT, off Old Broad Street, E.C.2. Open every day for lunch, dinner and dancing until 3 a.m. Cabaret twice nightly at 10.30 pm. and 1.15 a.m. Mon.-Sat. £8. Telephone 588 1922.

PERSONAL

18 CARAT GOLD Heavy Signet Ring set 9 diamonds B. Century H.M. can be altered any size Good investment at £300 Phone Leicester 57278.

LEGAL NOTICES

No. 003674 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of CRUMAR LIMITED and in the Matter of THE COMPANIES ACT. 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 10th day of November 1977, presented to the said Court by CRUMAR S.p.a. of Casella Postale 98, 60022 Castelfidardo. Italy. and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 12th day of December 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

D. J. FREEMAN & CO.,
9, Cavendish Square,
London. W1M 9DD.
Ref: HS 035019.
Tel: 01-636 4055.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 9th day of December 1977.

CONTRACTS AND TENDERS

ETHIOPIA

INVITATION FOR PREQUALIFICATION

The Provisional Military Government of Socialist Ethiopia has obtained Credit from African Development Fund for financing of the construction of a Feeder road between Jimma and Chida and it is intended to use the proceeds of this Credit to payments under contract for which this invitation to prequalify is issued. Payments out of the funds would be made only upon approval by ADF on applications presented by Ethiopian Road Authority (ERA) in accordance with terms and conditions of the Credit Agreement.

The Project

Jimma-Chida is 83 km long and starts at Jimma 335 km south-west of Addis Ababa.
Major construction quantities:

1. Unclassified Excavation .... about 1,530,000 M^3
2. Borrow Excavation .. .. " 38,000 M^3
3. Special subbase material .... " 138,000 M^3
4. Grouted Rubble Paved Waterways ... " 67,000 M^2
5. Drainage works (major items) 3900 LMRC pipes; 1000 M^3 concrete; 100 tons steel
6. Reinforced concrete Bridges with abutments, 5 in number; 800 M^3 concrete; 90 tons steel

Prequalification questionnaire forms may be obtained from Contract Construction Division, Ethiopian Road Authority, P.O. Box 1770, Addis Ababa, Ethiopia. Telex No. 21180. Cable Address: HIGHWAYS Addis Ababa.

Contractors are expected to fill in the pre-qualification questionnaire form and submit it to the Ethiopian Road Authority prior to December 20, 1977.

Construction is expected to commence by Mid 1978.

ETHIOPIAN ROAD AUTHORITY

PLANT AND MACHINERY

GENERATORS
COMPLETE SETS
0 100KVA Ford
100-800KVA Cummins
Alternators—Stamford

KVA	Price £	KVA	Price £
25	2,683	221	10,945
32	2,865	250	11,886
40	3,052	300	17,782
50	3,496	350	21,945
57	3,617	430	27,058
68	4,212	500	29,057
100	5,193	575	36,437
131	9,625	715	40,163
175	10,451		

JAMES McNEIL LIMITED
Tel. 0602 622691. Telex 377494.

GENERATORS
over 400 sets in stock
1kVA-700kVA
buy wisely from the manufacturers with full after-sales service.
CLARKE GROUP
01-985 7581/0019
Telex 897784

GENERATORS
2-3000 K.V.A.
New and used immediately available at keen competitive prices.
GENEREX LTD.
(073 522) 3033/4/5 Telex 848537

FORK LIFT TRUCKS—USED. Excellent choice of over 100 trucks, leading makes finished in manufacturers colours. Diesel, electric or gas operated List sent upon request, trade and export enquiries welcomed, large reduction on bulk purchases. Deliveries arranged anywhere. Birmingham Fork Lift Truck Ltd., Hams Road Saltley, Birmingham B8 1DU Tel. 021-327 5944 or 021-328 1705. Telex 337052.

COMPANY NOTICES

COMPANHIA DE DIAMANTES DE ANGOLA

Portuguese and Foreign shareholders of the Companhia de Diamantes de Angola whose shares have been the object of nationalisation, are called to a Meeting to be held at 3 p.m. on 16th December 1977 at the Associacao Comercial de Lisbon, Rua das Portas de Santo Anteo 89, Lisbon TO CONSIDER the situation resulting from the Nationalisation under Decree-Law 61/77 from the Government of the Peoples Republic of Angola and TO APPOINT a Committee to defend shareholders' interest and to represent them in the negotiations to be established with the Government of the Peoples of Angola.

Shareholders will prove themselves as such, independent of the number of their shares, either through the records existing in the Lisbon Delegation of the Company or by producing the document proving the deposit of shares in banking institutions under Decrees No. 70-A76 and 112/76 of the 22nd July 1976 and 25th August 1976 respectively.

For shareholders who attended the Meeting held 27th June, 1977, no document is required.

The identity of Portuguese shareholders will be proved by producing their passports.

Any shareholder can make himself represented in the Meeting by another shareholder by means of a simple letter addressed to the Signatory of the present Convocation, Rua Ivens No. 6, 2nd Floor, Lisbon 2, until 14th December or by producing it to the Chairman at the Meeting.

J. MARQUES MARTINHO.
Shareholder.

THE IMPERIAL COLD STORAGE AND SUPPLY COMPANY LIMITED
(Incorporated in the Republic of South Africa)

INTERIM DIVIDEND No. 77 ON PREFERENCE SHARES

Further to the notice of the interim dividend declared on the preference shares of this Company advertised in the Press on 27th October, 1977, the conversion rate applicable to payments in U.K. currency in respect of that dividend is £1 = R1.590435 equivalent to 3.45817p per share.

The effective rate of South Africa Non-Resident Shareholders Tax is 13.575%.

London Transfer Secretaries and Registrars:
Charter Consolidated Services Limited,
P.O. Box 102,
Charter House,
Park Street,
Ashford, Kent.
TN24 8EQ.
26th November, 1977.

TRANSVAAL CONSOLIDATED LAND AND EXPLORATION COMPANY LIMITED
(Incorporated in the Republic of South Africa)

DECLARATION OF DIVIDEND No. 76

Further to the interim report and dividend notice advertised in the Press on 28th October, 1977 the conversion rate applicable to payments in U.K. currency of the abovementioned dividend is £1 = R1.586610 equivalent to 40.9678749p per share.

The effective rate of South African Non-Resident Shareholders' tax is 15%.

United Kingdom Registrars and Transfer Agents:
Charter Consolidated Limited,
P.O. Box 102,
Charter House,
Park Street,
Ashford, Kent.
TN24 8EQ
28th November, 1977.

CLUBS

EVE, 189, Regent Street. 734 0557. A la Carte or All-in Menu. Three Spectacular Floor Shows. 10.45, 12.45, 1.45 and music of Johnny Hawkesworth & Friends.

GARGOYLE, 69 Dean Street, London, W.1. NEW STRIPTEASE FLOORSHOW THE GREAT BRITISH STRIP Show at Midnight also 1 a.m. Hostesses. Mon.-Fri. Closed Saturdays. 01-437 6455.

EUROPEAN NEWS

TITO'S ANNIVERSARY AMNESTY

The amber light for democracy

BY PAUL LENDVAI, RECENTLY IN BELGRADE

THE AMNESTY just announced in honour of Yugoslavia's national day (November 29) is a long-overdue gesture towards public opinion at home and abroad.

The significance of the amnesty goes beyond the freeing of the 218 people convicted of political crimes and of the 356 who had been awaiting trial for political offences. The move is seen as a signal for political relaxation. Though there are still, according to official figures, about 300 people in Yugoslav prisons convicted of political crimes, it is important to remember that they are almost exclusively either held as pro-Soviet plotters or as agents of extreme nationalists, mainly Croats or Albanians, said to have committed or prepared terrorist outrages.

Only one day before the proclamation of the amnesty, a brief communique announced the arrest of Mr. Mileta Perovic, one of the leaders of the Stalinist Yugoslav exiles abroad who after the Tito-Stalin break in 1948 fled to the Soviet Union. He was the head of the so-called Kiev group and left the Soviet Union for Paris in November 1975.

The secret war between the UDBA, the Yugoslav secret police and the KGB, its Soviet opposite number goes on unabated. Those Yugoslavs who managed to buy a copy of the memoirs just published by Mr. Veljko Micunovic, the former Yugoslav ambassador in Moscow, would hardly underestimate the continuing difficulties with Moscow. Mr. Micunovic relates for example that Marshal Zhukov, in a dinner toast welcoming the first high-level Yugolsav military delegation to the Soviet Union in 1957, casually remarked that the Red Army in 1948 would have needed only three days to bring Yugoslavia under control. The former ambassador to Moscow makes no secret of his conviction that the Soviet strategic aim is to bring back Yugoslavia into the bloc and under Soviet control.

Before his arrival Yugoslav technicians found 19 hidden microphones in the Yugoslav embassy. His first period of service coincided with the stormy years of 1956-58 and Mr. Micunovic reveals how the Russians combined public praise for Marshal Tito with secret warnings and subversion against Yugoslavia. Nikita Khrushchev promised large credits and kept a Yugoslav ministerial delegation waiting for over a month only to cancel the credit in the end as a punishment for Yugoslavia's independent line.

The fact that this book could have been published in a first printing of 10,000 copies is evidence for the growing gap which separates Yugoslavia from the other Communist-ruled countries. Yugoslavia is one of the most open countries in the world with visas abolished for visitors from 80 countries. A glance at any newspaper stand convinces the visitor that here the provisions of the Helsinki accord for the two-way flow of information have been fulfilled. The availability of the Western Press is of course not something new. But it must be stressed at a time when the Soviet bloc countries still produce excuses for not putting Western newspapers on sale for the public at large.

Freedom of movement is reflected in the figures for tourism. Thus last year 37 million foreigners entered the country while 16.5 million Yugoslavs travelled abroad, overwhelmingly to the West. One of the very few people to have been refused an exit permit is Mr. Milovan Djilas, the great rebel of Yugoslav Communism. This blot on the Yugoslav record in human rights is probably due to the petty vengeance of bureaucrats. He receives however a high pension and royalties from his books published only abroad and despite occasional press attacks leads a normal life.

The Marxist critics of the Tito regime, the philosophers and sociologists associated with the bimonthly "Praxis" which, because subsidies were stopped, folded up two years ago, are allowed to lecture abroad and to accept invitations from foreign universities. Suspended as university professors almost three years ago at the time of the offensive of the hard-liners, they nevertheless receive their salaries, albeit frozen regardless of the inflation. Such academics who question the Marxist credentials of the system and criticise the lack of democracy are put in psychiatric prisons in Russia or at best are allowed to work as lowest paid manual labourers in Czechoslovakia.

The treatment of critics reflects in a sense the mid-way position the Yugoslav regime occupies between the orthodox one-party dictatorships of the Communist east and the multi-party systems of the Democratic west. Coming for example from Prague, the visitor is struck by the dynamism of this society based on administrative decentralisation, factories and enterprises operating independently and run by workers councils.

The very success of the socialist market economy, despite hundreds of thousands of unemployed and an inflation rate of 10 per cent., the presence of 800,000 Yugoslav workers abroad and the investments made in the catering and services sector at home by those who had to return because of the recession—all this has changed the system beyond recognition. Yet at the same time the boom and the profound social-change pose a threat to the very basis of the old-style party dictatorship.

This glaring and increasingly dangerous contradiction between social realities and the political position of the ruling League of Communists with 1.6m. members has now become the main subject of an open political debate. The architect of the self-government system, Mr. Edvard Kardelj who ranks as number two after President Tito, warned in his recent book and two major policy statements that the party faced a two-fold danger: either of becoming a "policeman of the technocratic structures" of remaining an alienated organisation which issues resolutions, advice and directives to everybody and everywhere without being really responsible for the consequences.

The 67-year-old Kardelj not only rejected as usual the "bourgeois liberal" tendencies but also repeatedly warned against the "ultra-Leftist, sectarian, dogmatic" forces. He advocates an opening of the party towards the non-Communist masses, more democracy within and the transformation of the so-called "socialist alliance" of the working people, "the mass organisation, into a real instrument for what he calls "pluralism of self-management inter[...] Thus Kardelj has reopene[...] old debate about the democ[...]ation of decision-making [...] must involve above all a re[...] of the party. His speeche[...] the expression "self-ma[...]ment pluralism" have ala[...] many highly placed functionaries.

The hard-liners, above a[...] leadership in Bosnia but als[...] where, expressed privately [...]cern about a possible dang[...] the leading role of the [...] Others, including one me[...] of the top leadership I talk[...] maintain that Kardelj ha[...] said anything really new, th[...] has presented only a long[...] vision rather than a gui[...] short-term political a[...] Significantly Marshal Tito h[...] far refrained from makin[...] public comments about Kardelj's book and his prop[...]

But the battle [...] democratisation has bee[...]sumed. It is closely con[...] with the forthcoming large[...] reshuffles at the top. It [...] projected reorganisation o[...] party and state hierarchy in the federal centre and i[...] republic which is in the c[...] of attention. Will General [...] Ljubicic, the Defence Mi[...] after two terms be shifted [...] top position in his native re[...] of Serbia? Who is going [...] place him or Mr. Stane D[...] who also has to be "rota[...] after his long tenure as [...]tary of the party's executive [...]mittee? Is Mr. Branko Mi[...] the Bosnian hard-liner, sti[...] frontrunner?

Everything is open and e[...]body is waiting for the wo[...] the 85-year-old Marshal wh[...] usual, keeps all his options [...] The Yugoslav party has a[...] resembled a repertory th[...] where the play may be cha[...] but the leading actors gen[...] remain the same.

> The newly reconstituted dissident committee which monitors Soviet observance of the Helsinki accords yesterday demonstrated its determination to continue working despite emigration and arrests, with an appeal to Western participants at the European security conference in Belgrade to press the Soviet Union on human rights violation, writes David Satter in Moscow. The Helsinki Group, which has seven active members, said in a statement that the West should consider general human rights violations and "every particular substantive violation" including the repression of 14 people connected with the Helsinki group itself. Yesterday's statement, which was issued at a news conference at the home of Mr. Nahum Neiman, a scientist and member of the Helsinki group, was clearly intended to demonstrate that the group will continue to attempt to document Soviet violations of the humanitarian provisions of the Helsinki accords.

The Financial Times published daily [...] Sundays and holidays. U.S. subs[...] $278.00 (air freight) $334.00 (air m[...]) [...] Second class postage paid [...] York, N.Y.

EC agrees $1bn. d for poor ountries

obin Reeves

BRUSSELS, Nov. 28.

INANCIAL backing for a $U.S.1bn. aid programme the world's poorest de- g countries was approved mon Market development ers here to-day.

ouncil of Ministers' meet- devoted to development agreed to the community uting $385m. towards the action by the Western lalised world, first agreed ciple at the North South ence in Paris earlier this

aid will be channelled h the International De- ent Agency (IDA), the an branch of the World

ce originally attempted uade the rest of the Com- to limit the aid distribu- o countries which have links with the EEC, but agreed to go along with riteria. These limit the going to any one conti- 50 per cent., and to any untry to 20 per cent. of tal—which notably sets a on India's share.

Council of Ministers also he go-ahead to a 45m. units ount (£18.7m.) increase in t aid to developing coun- not associated with the hrough the Lome Conven-

banker resigns

Giuseppe Arcaini has re- his post as president of alian Banking Association. ancaris, Reuter reports from In September Sig. Arcaini d down as chairman of se, the central savings bank ition, after public criticism ing revelation of loans from se totalling around bn. to a group of Rome uction operators.

France faces worst week of strikes since spring

BY DAVID CURRY

PARIS, Nov. 28.

THE MOST widespread indus- trial disputes since before the summer will occur in France this week culminating in a quasi- general strike on Thursday, December 1.

The strikes are directed mainly against the Government's wages policy which restricts pay increases to the amount neces- sary to compensate for cost of living increases.

The stoppages will be much less total than during last spring's general strike when the whole union movement joined the protest. This time the prime movers are the Communist-led CGT, which claims around 2.6m. members, and the Left-wing CFDT, with some 900,000. The radically-minded teachers' union, the FEN, is also joining in.

The most conspicuous absentee is the moderate Force Ouvrière, whose leader M. Andre Bergeron, has kept his lines open to both M. Raymond Barre, the Prime Minister, and to M. Giscard d'Estaing, and which has been prepared to settle wage claims within the official guidelines. M. Bergeron is leading the battle for a fifth week's paid holiday and is confident that this will be conceded next year.

On the railways work will stop from Wednesday evening to Friday morning, reducing both main line and local services. The Paris regional transport network will be affected less seriously because the non-striking FO is heavily represented among its staff.

Sporadic power cuts are likely at the State-owned electricity and gas utilities, where workers have said they will continue wildcat action until December 8.

Civil service offices will be heavily denuded of personnel, and the banks will also be affected. There will be cancella- tion of school classes, and no newspapers dated December 1.

On the airlines action has already started. Air France flying crew to-day end two days of strikes which have knocked out most of the state airline's services, and to-morrow the baton is passed to the private UTA line, for which the strike will last until December 3.

Ironically, on Wednesday the Government is likely to decide by what amount it will raise the national minimum wage from its present Frs.9.79 an hour. An automatic increase in line with inflation would in any case soon be due, but the Government has promised a supplementary rise for the lowest paid.

The decision will be taken in the light of the October retail price index, which is understood to show a 0.8 per cent. increase to follow the September rise of 0.9 per cent.

The October increase takes the year-on-year rise to 9.5 per cent. and the increase so far this year to 8.2 per cent. It means that over 1977 as a whole the Govern- ment will scrape home only fractionally below last year's 9.9 per cent. inflation rate. This is in spite of the emergency con- trols on certain foodstuffs in- cluding some meats, fish, pastry and restaurant drinks imposed after the acceleration in the rise in food prices in September.

The head of the employers' organisation the Patronat, M. Francois Ceyrac, has served notice that the Government can- not both continue to limit price increases to 6½ per cent. next year and expect industry to im- prove its investments.

● Egypt has ordered 14 French Mirage-5 fighter aircraft, in addition to 14 bought last year, French officials told Reuter yesterday in Paris. Some of the aircraft will have special equip- ment for long-range reconnais- sance.

Brussels nuclear talks

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, Nov. 28.

THE EUROPEAN Commission will step gingerly into the nuclear energy controversy to- morrow when it inaugurates three days of "open discussions" at which two dozen carefully- selected scientists, Government officials, and union representa- tives will be invited to express their views on the role of nuclear power.

With a nice touch of irony, the hearings, to be chaired by Dr. Guido Brunner, the Energy and Research Commissioner, will be staged in the shadow of the Brussels Atomium. This unusual edifice, representing on a vast scale the structure of an atom, was erected almost 20 years ago in a less troubled era when the assumption that future energy needs would be met comfortably out of nuclear sources went virtually unchallenged.

The ostensible purpose of the discussions, which seem likely to run over some of the same ground covered in Britain during the recent Windscale inquiry, is to try to stimulate public partici- pation in the process of formu- lating key policies on energy questions in the EEC.

Swedish economic decline forecast

By William Dullforce

STOCKHOLM, Nov. 28.

THE SWEDISH Federation of Industries believes the Swedish economy will continue to decline through the first half of next year and that the anticipated 2 per cent. fall in GNP this year will be followed by a further 0.5 per cent. drop in 1978.

However, if the OECD fore- cast of a 4 per cent. growth in GNP among its members in 1978 is realised, the federation expects a fairly swift export- led improvement in the Swedish economy to get under way in the second half.

In its autumn economic fore- cast the federation foresees industrial production sinking in 1978 for the fourth year running to a level about 7 per cent. lower than in the boom year of 1974. Some 50,000- 60,000 employees will have to leave industry this year and next and the federation's economists doubt the public sector will expand sufficiently to absorb them all.

Growth must be concentrated on the export sector in the next few years, while domestic consumption is held back.

Profit levels are at an historic low and the federation has difficulty in seeing how the capital required can be generated. Industrial invest- ment will slump by 15 per cent. this year and by a similar amount in 1978.

The 10 per cent. devaluation of the krona at the end of August was not enough to bring 1977 exports back to the 1976 level after the decline during the first three quarters. The federation anticipates an export growth of 2.5 per cent., linked by the halving of ship exports, in 1978.

Latest IFO survey underlines problems of employment

BY JONATHAN CARR

BONN, Nov. 28.

THE STRUCTURAL problems afflicting West German industrial employment are underlined by the results released to-day of the latest survey of business opinion carried out by the IFO economic institute.

IFO reports that in October a majority of enterprises felt they had too few orders in hand, were sceptical about export prospects and did not plan to expand production.

Nonetheless, about a quarter of all businesses had their labour force on overtime work—at a time when the country has just under 1m. unemployed, a figure bound to increase in the winter.

The proportion of those on overtime is especially high in the consumer durables sector. Producers of cars and electrical household goods both seem set to expand production further it says, but it is not clear how far this may lead to new hirings, how far to a further increase in over- time work.

Some vehicle companies, in- cluding the market leader Volks- wagen, are taking on extra staff, but there remains a general reluctance—even with a big backlog of orders—to add to the labour force when there is no certainty how long the domestic motor vehicle boom may last.

Further, the phenomenon of overtime amid unemployment reflects both the inability of companies to find enough skilled craftsmen, and the unwillingness of many jobless to take work of a lower grade. There is insuffi- cient labour mobility and big scope remains for effective im- plementation of retraining schemes.

It is such considerations which have just led an expert advisory committee to the Economics Ministry to reject the idea of an overtime ban to help solve un- employment. The committee also warned against the view that an increase in the overall economic growth rate will of itself take up most of the unemployed. Contro- versially, it suggested that a partial lifting of the ban on re- cruitment of new foreign labour is worth considering. The idea would be to allow "guest workers" to fill those jobs which Germans are not ready to do themselves.

Machine tool sales rise

BY GUY HAWTIN

FRANKFURT, Nov. 28.

WEST GERMAN manufacturing industry has been heavily in the market for machine tools after several years of drastic- ally curbed investment plans. Domestic orders placed with the Federal Republic's machine tool industry rose 34 per cent. in the first nine months of the year, compared with the same period of 1976.

The machine tool manufac- turers, who this year are expect- ing annual sales of nearly DM7bn. (£1.74bn.), form the largest of West Germany's mechanical engineering indus- tries and currently employ some 97,000 workers.

Although home demand has improved dramatically, a survey published by Commerzbank, the Federal Republic's third largest commercial bank, states that figures are being depressed by a fall in volume exports. The pickup, it says, is only gradual and prospects for the industry are only "moderately good."

Until the end of September, real bookings were up by 9 per cent., compared with the first three quarters of 1976. The order rate varied considerably and demand, particularly for ex- ports, weakened appreciably in the second quarter.

Between January and September, foreign orders were 6 per cent down in real terms on the comparable period of last year. As in 1976, prices rose by 6 per cent. on average during the first half of the year, while volume sales were back by 3 per cent.

Production capacity is far from being fully taken up and plant utilisation for the first nine months averaged 79.3 per cent. —a far cry from the average 87.4 per cent. between 1966 and 1975. In view of the time lag in executing orders, the industry's current order book, which is sufficient for six and a half months' production, is considered unsatisfactory.

Exports, which last year totalled DM.5bn., accounted for 75 per cent. of production in 1975 but have tapered slightly this year. The industry hopes that, in the long term, they can be maintained at about 60 per cent. At the end of the first half of this year, they were worth DM.2.73bn. The largest export customer was the Soviet Union, which last year accounted for 17 per cent. of overseas sales.

W. German opposition split over leadership

By Our Own Correspondent

BONN, Nov. 28.

THE WEST German opposition is giving a public display of disunity from which the Government coalition under Chancellor Helmut Schmidt can only profit.

The Government Social Democrat (SPD) and Free Democrat (FDP) parties have already benefited both from Herr Schmidt's firm handling of the terrorist issue, and from the relatively smooth course of their recent con- gresses.

Now the opposition Christian Democrats (CDU) and their Bavarian sister party, the Christian Social Union (CSU), have become embroiled in public arguments which, on the face of it, could have been easily avoided.

Leading figures from both sides have chosen this moment to drag out the question of who is better suited to lead the opposition in general elec- tions in 1980—CDU leader Helmut Kohl or CSU chief Franz Josef Strauss.

The origin of the dispute appears to be belief among some in the CDU that the opposition's standing can only be enhanced if Herr Strauss is ruled out well in advance. The result has been a flurry of personal point-scoring helping neither side.

Feeling in the CDU against Herr Strauss has been running particularly high because of statements he made during a recent visit to Chile, when he praised the work of Chile's military leadership and said there was greater peace there than in several neighbouring countries.

In the midst of this, Herr Strauss decided to announce that he would be standing for the prime ministership of Bavaria next year—thus con- firming a move long expected.

Should he take the post, Herr Strauss will give up his seat in the Bundestag—the lower House of the Bonn Parliament. But there are few who believe he will forsake national affairs altogether, and many who speculate that he will use the new job as a stepping stone to greater power in 1980.

● The West German Foreign Minister, Herr Hans-Dietrich Genscher, who was taken to hospital last week with suspected pneumonia, is more ill than at first believed and is unlikely to resume official duties before mid-January.

Greek Cabinet sworn in

ATHENS, Nov. 28.

IGN MINISTER, Dimitrios s, has been dropped from overnment and replaced by an politician Panayotis goura in the new Greek et announced to-day.

s was among several es in the new Cabinet of Minister Constantine nanlis, whose New ieracy Party was re-elected neral elections eight days The Cabinet, the second the restoration of demo- rule in Greece three years was sworn in to-day.

The new Cabinet includes a Deputy Premier, 20 Ministers and 21 Deputy Ministers. Five of the Ministers and 13 of the Deputy Ministers were new- comers to the Government. Key Members of the previous Cabinet — except for Mr. Evangelos Averoff Tositsas, who stays on as Defence Minister— merely switched portfolios.

One of the most significant changes is the appointment of former Speaker Constantine Papaconstantinou as Deputy Premier.

Agencies

Dutch coalition pact revised

THE HAGUE, Nov. 28.

LEADERS OF Holland's Christian Democrats and Liberals have announced agreement on a revised coalition pact to replace the present Government.

Christian Democrat leader Andreas Van Agt was forced to renegotiate the terms early last week when the original version of the accord drew sharp criticism from Left-wing mem- bers of his party, particulary on economic policy.

Mr. Van Agt will seek approval for the pact from his party's 49 members of Parlia- ment.

Soares showdown likely

BY DIANA SMITH

LISBON, Nov. 28.

HAVING FAILED to gain con- sensus from his rivals on a common policy, Prime Minister Mario Soares now seems headed irrevocably for a showdown in Parliament.

He hoped that his proposals for joint parliamentary work on economic policies would be accepted by his Social Democrat, Christian Democrat and Commu- nist opponents. However, only the Communists have shown reasonable flexibility, compared with absolute rigidity from the powerful Social Democrats, the second largest party, and slightly ambiguous response from the Christian Democrats.

Therefore, according to highly placed sources, Sr. Soares will table a motion of confidence on Friday.

There are strong indications that the Social and Christian Democrats may withhold their confidence from Sr. Soares' minority Socialist Government. With their combined 114 votes, against the Socialists' 102, they could hasten his departure from power.

Congress confronts energy impasse

BY DAVID BELL

WASHINGTON, Nov. 28.

AFTER A week's respite, the U.S. Congress to-day resumed its attempt to break the impasse over the proposed Energy Bill, as one Congressman threatened to hold all-night sessions until progress could be made on the vexed question of natural gas pricing.

Meanwhile liberal Congressmen and Senators continue to complain loudly about comments made at a Press conference last week by Dr. James Schlesinger, the Energy Secretary. Much to the irritation of the rest of the administration, he outlined possible compromises that the President might accept. Sen. Howard Metzenbaum, a leading supporter of the administration, said such talk at this stage was "extremely disturbing."

The Senate and the House of Representatives are trying to fashion a compromise energy bill using two conference committees made up of Congressmen and Senators. One is considering the taxation provisions in the bill, the other the non-tax issues.

The non-tax committee was to-day taken up with more wrangling about the price of natural gas. Senator Henry Jackson, chairman of the Senate Energy Committee bluntly warned the gas industry that if it persisted with its demand for the de-regulation of new natural gas prices at all, the provisions about gas, some of which greatly favour the industry, will have to be abandoned.

President Carter is planning to leave on December 28 or 29 on a major foreign tour that he postponed this month because of preoccupation with energy legislation, according to administration officials, Reuter reports from Washington.

Representative Harley Staggers, chairman of the non-tax conference committee, threatened to hold all-night sessions on the natural gas part of the bill so that the issue may be settled by Thursday. Senator Jackson said that the conference committee was stuck firm at nine to nine, and that "the ball is (now) in the industry's court. If they are going to maintain their position . . . there is going to be no bill."

The Senator also told reporters that the industry must accept a measure of regulation of intrastate gas prices. At present these are not regulated by the Federal Government, whereas interstate prices are.

Bank chief optimistic on Canadian economy

By Victor Mackie

OTTAWA, Nov. 28.

GERALD BOUEY, the Governor of the Bank of Canada, said to-day that the Canadian economy has now made many of the adjustments necessary to allow it to perform better and compete more effectively with the rest of the world.

"Thus while the bad news is that our economy has been going through a difficult period, the good news is that we may already have completed a large part of what was bound to be a difficult journey," he said. He spoke to the Canadian Club of Toronto.

He said Canadians can deal successfully with the unemployment problem if at the same time they manage to deal successfully with the inflation problem through becoming more competitive in world markets.

The Governor cautioned against those who worry that the expansion lacks the exuberance of previous periods of world economic recovery and are fearful it will soon come to an end.

Reuter reports from Ottawa: Canada's real gross national product rose 1.3 per cent. in the third quarter of 1977 after a revised 0.3 per cent. fall in the second. Statistics Canada said. It added that the growth in real output was the second largest in the past 18 months.

The resumption of real growth can be ascribed to a large increase in real personal expenditure on goods and services, a substantial improvement in the balance of trade in goods and services, and a swing in non-farm business inventory from liquidation in the second quarter to some accumulation in the third quarter.

Argentina may stand firm over islands

By Hugh O'Shaughnessy

THE ARGENTINE Government will refuse to be bound by the arbitration award announced by the Queen on May 2 in the dispute between Argentina and Chile over possession of three islands near Cape Horn, according to insistent reports from Buenos Aires. An Argentine rejection of the award would substantially increase tension between the two countries. The area has already been the scene of military and naval manoeuvrings.

The award, which was based on the unanimous opinion of a panel of distinguished international lawyers, gave the islands, Lennox, Nueva and Picton, lying in the Beagle Channel off Tierra del Fuego, to Chile.

● Argentina's Central Bank has extended to two years the minimum term for starting repayment of foreign loans from one year, Reuter reports from Buenos Aires.

Last-minute attempt to avert coal miners' strike

BY JOHN WYLES

NEW YORK, Nov. 28.

THE UNITED STATES Government's Mediation and Conciliation Service has called the two sides of the coal industry together for a meeting to-morrow in what seems likely to be a forlorn attempt to head off a national miners' strike.

The Federal agency has been closely monitoring the abortive negotiations on a new master contract for 130,000 members of the United Mineworkers' Union (UMW). It moved quickly to arrange to-morrow's session after Mr. Arnold Miller, the UMW president, walked out of talks with the Bituminous Coal Operators' Association on Friday proclaiming that a strike from December 6 was inevitable.

On the surface there seems little reason to believe that Mr. William Hobgood, the Director of the Office of Mediation Services, will be able to point the two sides in the direction of a negotiating breakthrough. It is more likely that he will be wanting to ensure that the union and the employers maintain their discussions up to and during the looming stoppage.

There may be some discussion on the possibility of extending the current contract for a further month after its expiry on December 6. But Mr. Miller has stressed that he would only consider doing so if an agreement seemed near. Without such a possibility the union's chances of keeping its militants at work in the Appalachian coalfields are very remote.

● Around 30,000 U.S. East Coast dockers will vote to-morrow on new three-year pay-and-conditions agreements which should end the two-month strike against container shipping.

Two weeks of port-based negotiations from Maine to Texas have in most cases produced agreements to accompany the trend-setting master contract covering six North Atlantic ports.

Economists project 4.2% GNP growth

By Our Own Correspondent

NEW YORK, Nov. 28.

A COMPARATIVELY healthy 4.2 per cent. increase in the United States real gross national product in 1978 is being projected by the Conference Board, a leading American business research organisation.

This forecast, from the board's Economic Forum, a gathering of 11 prominent economists, strengthens the optimism which has been growing in recent weeks about the prospects for next year. Although the Carter Administration showed signs in October of backing away from its view of a 5 per cent. growth rate next year, the underlying strength of the economic indices for November is thought to be renewing its confidence.

The Conference Board's experts expect 1977 to finish with an overall 4.8 per cent. growth. They forecast that this will fall slightly to 4.2 per cent. next year with industrial production gaining 5.5 per cent compared to 5.9 per cent. in 1977

WALL STREET'S RISK ARBITRAGEURS

Masters of the million dollar guessing game

BY STEWART FLEMING

PERCHED BEHIND a pulpit-like desk, 23 storeys up, just a stone's throw from Wall Street, Ivan Boesky sits all day watching share prices on a television set and surrounded by 130 direct telephone lines to brokerage houses and two news-wire services.

Intermittently, some new development in the 40 or 50 take-overs he is following brings a reaction. "You understand we don't want to lose any more in Pabst," he barks down the telephone to one of his assistants before dividing his attention once again between the interviewer from the Financial Times and the television set from which his eyes rarely wander.

He doesn't break for lunch. If all this seems a rather tedious way to spend your working life even he might find it hard to disagree. But Mr. Boesky is an arbitrageur and this year the work has had its compensations. Press reports, which he will neither dispute nor confirm, suggest that on one deal alone—the Babcock Wilcox takeover battle—Mr. Boesky may have cleared a $7m. profit in a few weeks.

Mr. Boesky is one of a select, but now expanding group of risk arbitrageurs on Wall Street. He runs his own firm with a staff of 27. His competitors include some of the best known, most aggressive and successful investment banks and brokerage houses in New York. Those reports which attributed to Mr. Boesky a $7m. profit on the Babcock deal also gave Salomon Brothers, and Goldman Sachs similar spectacular returns. Overall it has been estimated that arbitrageurs made a $30m. Profit on that $500m. takeover.

Wall Street speculation has suggested that this month the arbitrage community may have collected a profit of as much as $20m.

How is it done? One is tempted to say, "easy," and from the outside that is how it looks. But insiders say that it takes strong nerves, intuition and an analytical mind to make arbitrage profits in good times as well as bad.

As Robert E. Rubin, the 39-year-old arbitrage specialist at Goldman Sachs points out, it is a very special time now for the arbitrage business. Big profits like those being recorded now have not been seen since the take-over wave of the late 1960s.

If the big profits now being made are not always there in bad times, the risks are just as big. Mr Rubin suggests that it is just the good fortune of firms like Goldman to have been in the arbitrage business for years and to be there now.

What then is risk arbitrage? Carborundum is as good an example as any. Early in this month Eaton Corporation announced a $47 a share bid for Carborundum. The shares were selling before the bid at just over $33 a share and smartly moved up to just under $47 a share cash—which Eaton was offering. The amount by which they lagged behind $47 is known as the arbitrage spread.

At this point many of the arbitrageurs will have moved in, some buying heavily between 1m. and 1.5m. shares in total according to Wall Street guesses. Their research and investigations will have led them to the conclusion that the deal was likely to go through and therefore the risks of the shares going back to $33 a share were slim enough to warrant gambling millions of dollars.

Beyond that they were hoping that since Carborundum was resisting the Eaton bid there was a good chance that Eaton would have to pay something more than $47 a share. With luck they could hope for a repeat of the Babcock Wilcox-United Technolgies takeover when a rival bidder, J. Ray McDermott appeared, which drove the Babcock price ever higher.

This is what did happen, but on a scale which perhaps even the optimists had scracely hoped for. Within two weeks Kennecott Copper, resting on hundreds of millions of dollars of cash, announced that it was ready to spend between $530m and $560m buying Carborundum at a price of $66 a share. Carborundum agreed and if the deal goes through short term risk arbitrageurs as well as long standing Carborundum shareholders will split the $150m. plus difference between the Eaton bid and the Kennecott offer.

Put in this way it all seems like the easiest speculative game on Wall Street, and certainly it is fair to say that currently it is the most fashionable—it is almost the only really big "play" for Wall Street's gamblers. But the risks are high too.

It is still possible that even the Kennecott-Carborundum deal could go wrong. One shareholder is suing Kennecott on the grounds that it is paying too much and should back out.

Most analysts think the deal will in fact go through. But there have been plenty of others which have not. Arbitrageurs probably suffered hefty losses when Anderson Clayton withdrew its $300m. bid for a baby foods group, Gerber Products, earlier this year. The shares which rose to almost $40 a share at the time of the initial bid slumped to under $30 within days of the withdrawal.

As Mr. Rubin points out, it is one of the risks in this sort of investment that if a deal does

Mr. Ivan Boesky: his work has its compensations.

not go through the share price tends to collapse. Then there is little time to sell your holding and minimise losses.

On the other hand, through trading stock options or other hedging operations, it is possible to reduce risks and there will generally be opportunities to realise profits on the way up.

There are still, however, plenty of deals which unexpectedly fail and it seems amateur speculators are increasingly often caught under the debris.

It is the professionals such as Mr. Boesky and Mr. Robert Rubin who, with their staff, follow the nuances of each day's share trading by the minute, and who are backed up by trained investment analysts and anti-trust corporate lawyers who can judge the implications of a deal. They can act quickly to take advantage of new information, even of what seems to be well informed rumour. They can spread their risks over dozens of takeovers and so stand the best chance of coming out with more profits than losses. As Mr. Boesky puts it, "the arbitrage sprea[d] a very perishable commodi[ty]."

Even the professionals wo[nder] how long the current good ti[mes] will last. The profits being [...] now reflect the wave of mer[gers] which has hit the U.S. and [...] could make 1977 almost as bi[g a] year for acquisitions as the 1960s. Moreover, nowadays, [...] are more often being comple[ted] in cash than in "funny mon[ey]" meaning debt, securities [...] equity—which was the com[mon] currency of the conglomer[ate] wave of mergers.

To-day's deals are coming a[t an] unusual time. Normally [...] Rubin points out investors [...] to value companies more hi[ghly] than businessmen. That [...] certainly true of the late 1[960s] when speculative fever pus[hed] share prices to unsustain[able] levels. To-day, businessmen [...] valuing companies freque[ntly] more highly than invest[ors]. Hence even Eaton Corpora[tion] was ready at first to pay $4[7 a] share for Carborundum w[hen] the market was valuing at [...] a share.

The change reflects the [...] that investing in a company [...] established market, plant [...] management is more attrac[tive] for a company with plenty [of] cash and a strong balance sh[eet] than investing in new capital [ex]pansion of existing operati[ons]. This is especially true in an [in]flationary period at a t[ime] when share prices are as [...] historically low and the busi[ness] outlook uncertain.

Some analysts are already [sug]gesting that the takeover w[ave] is making investors think [...] perhaps they are wrong in v[alu]ing some companies shares [so] cheaply when other compa[nies] are prepared to pay alm[ost] double the pre-bid share p[rice] for an acquisition—which [is] what Kennecott is doing. Ot[hers] point out that a company [which] has bought another does not [have] to worry that the share p[rice] of the acquisition may fall [if] it is wholly owned. And, m[ore]over, unlike outside invest[ors] they have control of its cash and assets.

While the pace of mer[gers] continues to be hot and a [...] proportion of the deals [go] through at big premiums [over] the initial share price, and w[hile] there are plenty of conte[sted] bids, arbitrageurs can at ti[mes] expect to make spectac[ular] profits, especially if, as is [...] the case, many of the deals [in]volve big companies in time[s of] business not related to e[ach] other. U.S. anti-trust laws [are] less likely to be effective [in] blocking such deals.

In the meantime, s[...] fortunes will be made by [...] like Mr. Boesky, and firms [...] Salomon and Goldman will [be] happy for the profits they [are] turning at a time when ot[her] parts of their equity business [are] depressed.

NOTICE OF REDEMPTION

Hamersley Holdings Limited

8½% Notes Due 1984

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of January 1, 1977 under which the above-designated Notes are issued, $1,800,000 aggregate principal amount of such Notes has been drawn for redemption on January 1, 1978 (herein sometimes referred to as the redemption date).

The Notes drawn for redemption, each in the principal amount of $1,000, commence with serial number 11 and end with serial number 39974. All serial numbers within that range, ending with any of the two digit combinations specified below, have been selected for redemption:

11 22 53 74 95

EXCEPT serial numbers ending in the two digits 95 within the range 20095-39995.

The Notes specified above are to be redeemed for the Sinking Fund (a) at the WCG Bond Windows—2nd floor of Citibank, N.A., Trustee under the Indenture referred to above, No. 111 Wall Street, in the Borough of Manhattan, The City of New York, or (b) subject to any laws or regulations applicable thereto, at the main offices of Citibank, N.A. in Amsterdam, Frankfurt/Main, Geneva, London (City Office), Paris and Tokyo, and of Citibank (Belgium) S.A. in Brussels, Swiss Bank Corporation in Basle and of Banque Générale du Luxembourg S.A. in Luxembourg. Payments at the offices referred to in (b) above will be made by check drawn on or transfer to a dollar account maintained by the Holder with a bank in The City of New York on January 1, 1978, the date on which they shall become due and payable, at the redemption price of 100 percent of the principal amount thereof, together with accrued interest to the date fixed for redemption. On and after the redemption date, interest on the said Notes will cease to accrue, and, upon presentation and surrender of such Notes with all coupons appertaining thereto maturing after the date fixed for redemption, payment will be made at the said redemption price out of funds to be deposited with the Trustee.

Coupons due January 1, 1978 should be detached and presented for payment in the usual manner.

HAMERSLEY HOLDINGS LIMITED
By: Citibank, N.A., as Trustee

November 29, 1977

هكذا من الأصل

E NEW JAPANESE CABINET

The PM's three wise men

Y CHARLES SMITH

TOKYO, Nov. 28.

MAJOR reshuffle carried by Mr. Takeo Fukuda, the ese Prime Minister, hinges ree key appointments. They Mr. Toshio Komoto at the try of International Trade Industry (MITI), Mr. Kiichi awa at the Economic Plan- Agency (EPA) and Mr. o Murayama at Finance.

the three, Mr. Murayana is thing of a dark horse. His has been largely taken up financial matters, first as a ucrat and subsequently as ficial of the ruling Liberal cratic Party. Mr. Komoto replaces Mr. Tatsuo kai however, made a name imself as an effective and stic industry minister dur- two-year spell under Prime ster Takeo Miki.

Miyazawa, aged 58, is ded as one of Japan's most ising "younger" politicians. Miyazawa has served in the at the EPA as well as at and at the Foreign Minis- He was originally expected e named Minister of Exter- Economic Relations, a new post, but was switched at the last moment to the planning agency which plays a vital co-ordinating role within the Government.

The external economic relations brief has gone instead to Mr. Nobuhiko Ushiba, a former Ambassador to Washington who has been Japan's economic roving ambassador in recent months. He is the only non-politician in the new cabinet. Two other important appointments are those of Mr. Sunao Sonoda to the Foreign Ministry and of Mr. Ichiro Nakagawa to the Agriculture Ministry.

Mr. Sonoda will prepare the ground for Japan to sign a "treaty of peace and friendship" with China. Mr. Nakagawa is likely to have to handle the liberalisation of Japan's imports of processed agricultural products—something which his predecessor refused to consider.

The new Japanese Cabinet includes: Prime Minister, Takeo Fukuda; Justice Minister, Mitsuo Setoyama; Foreign Minister, Sunao Sonoda; Finance Minister, Tatsuo Murayama, 62; Education Minister, Shigetami Sunada, 60; Health and Welfare Minister, Tatsuo Ozawa, 60; Agriculture-Forestry Minister, Ichiro Nakagawa, 52; International Trade and Industry Minister, Toshio Komoto, 66; Transport Minister, Kenji Fukunaga, 67.

A significant appointment outside the Cabinet itself if that of Mr. Yasuhiro Nakasone as chairman of the LDP executive council. Mr. Nakasone was Secretary-General of the party under Prime Minister Miki and is now returning, after a year without office, to what is theoretically a post junior to the one he held before. His spell in the political wilderness began when his name was mentioned in connection with the Lockheed affair.

Mr. Nakasone's reinstatement was clearly not good news for Mr. Masayoshi Ohira, the current LDP secretary general who is generally regarded as Mr. Fukuda's heir apparent. Mr. Ohira originally wanted to keep the three main intra-party posts unchanged and apparently changed his mind only when Mr. Fukuda convinced him that one of the three party office holders, Mr. Komoto, was needed in the cabinet proper.

The most urgent task awaiting the new cabinet is to finalise a list of import liberalisation measures to be offered to the United States in settlement of the increasingly bitter trade dispute between the two countries. Next comes the 1978 budget which has to be drafted before the end of the year and which will provide the main thrust behind attempts to reflate the economy and offset the effects of yen revaluation.

HE SADAT PEACE INITIATIVE

.S. dithers over Cairo invitation

Y DAVID BELL

WASHINGTON, Nov. 28.

SIDENT CARTER and r foreign policy advisers several times to-day to decide best to react to President 's invitation to attend Satur- pre-Geneva meeting in o.

r. Cyrus Vance, the U.S. Sec- y of State, also had a 45- te meeting to-day with Mr. toly Dobrynin, the Soviet assador.

ficials made little secret of fact that the administration ure about how to respond e Sadat initiative. To-day's ments from President Assad ria are taken as a hopeful that the united Arab front not be shattered after all.

ere was a welcome for the m remarks made by King sein of Jordan. It was felt that he had gone as far as d be expected in supporting ident Sadat without compris- ing his relations with President Assad.

While it is likely that the U.S. will send some sort of representative to Cairo, both the State Department and the White House are torn between giving too much support to the Sadat proposal which might isolate Egypt and Israel from the rest of the states in the Middle East. On the other hand, by giving too cold a shoulder to the whole scheme they could irritate both Israel and Egypt.

Whatever else is not clear, it was evident to-day that, for the moment, the U.S. has no real control over what is going on and little advance warning. Mr. Jody Powell, the President's press secretary, admitted as much when he told reporters that President Carter was keeping a "low profile."

American Jewish groups were pressing the President to back the Sadat proposals, but the administration is worried that this could lead to the effective abandonment of months of careful diplomacy.

But officials also believe that however attractive a proposition it might be in the short term, a separate Egyptian-Israeli peace would cause serious problems in the Middle East

If the United States does decide to send anyone to Cairo it is possible that he will go only as "an observer" and that the Soviet Union may also send a low-level delegate to observe

Senior French officials flew to Cairo yesterday to meet Egyptian leaders, but the purpose of their mission was not announced.

United Nations Secretary General Kurt Waldheim has reacted "with interest" to Mr. Sadat's proposal but says he will not make any commitment until he has spoken to U.S. and Soviet diplomats.

Jordan's uneasy balancing act

BY RICHARD JOHNS

AMMAN, Nov. 28.

A DELICATE balancing Jordan announced to- t that it would be d to accept Egypt's in- tion to attend this week's official" preparatory talks a Middle East peace settle- t in Cairo only if all the r parties concerned did so Alternatively, on the same itions, it would be willing attend the rejectionist sum- of Arab leaders.

is extraordinary compromise ets Jordan's concern not to d either Egypt or Syria. announcement followed Hussein's broadcast in h he called on all Arab es "to do all in their power nify their ranks and avoid parable divisions."

practice, the formula means Jordan can be at neither meeting and will remain—as expected—sitting nervously on the fence. So far, Israel has accepted Mr. Sadat's invitation to take part in the Cairo talks.

It was always clear that Jordan could not contemplate participation at any meeting in the absence of Syria, with which it has been co-ordinating policy closely for over two years now. The Hashemite kingdom also has close ties with the conservative pro-U.S. axis between Egypt and Saudi Arabia.

Without elaboration — but clearly referring to its unilateral nature—King Hussein expressed reservations about the "form and the essence" of the Egyptian initiative. Despite his concern about the disarray caused by Mr. Sadat's bold stroke, King Hussein also betrayed sympathy with his frontal attempt to break the deadlock. He has in the past held secret meetings with Israeli leaders, though this has never been admitted officially.

King Hussein has bound himself to the resolutions of the 1974 Rabat summit which recognised the PLO "as the sole representative of the Palestinian people," entitled to set up a state on territory evacuated by Israel.

However, it is known that he would like to see West Bank inhabitants exercise self-determination and also to maintain links with any semi-autonomous entity there. His private thinking conforms more closely to that of President Sadat and the U.S. Administration, but by its very nature, Jordan must follow that lead.

Continued jockeying over OPEC oil prices

By Our Foreign Staff

THE jockeying for positions on oil prices in advance of next months' OPEC meeting continued yesterday with Kuwait and Indonesia reportedly agreeing that prices should rise by about 8 per cent. Iran meanwhile said oil prices would not be raised for two years. Abu Dhabi in the United Arab Emirates was reported to have asked the two major oil companies operating there to cut production next year by about 15 per cent. to a maximum of 1.35m. barrels/day (b/d).

Authoritative sources in Kuwait said that agreement on a rise of about 8 per cent. had been reached during talks with Mr. Mohammed Sadli, Indonesia's Oil Minister, who arrived on Sunday night as part of a tour of OPEC countries in preparation for the conference which opens in Caracas on December 20.

However, Mr. Jamshid Amouzegar, Iran's Prime Minister, was quoted in the Bahreini weekly magazine, al-Mawakef, as saying that "oil production from the exporting countries has fallen because the storage tanks of the consuming countries are full. Any increase in oil prices would also cause the third world countries balance-of-payments and other problems. Therefore it is not in our interests to raise prices during the coming two years."

The authoritative Middle East Economic Survey (MEES) reported yesterday that on November 19 the Abu Dhabi government had asked the Abu Dhabi Petroleum Company (ADPC) to produce a maximum of 850,000 b/d in 1978 compared with a ceiling of 995,000 b/d during the last quarter of this year. Abu Dhabi Marine Areas, in which the Government holds a 66 per cent. share as in ADPC, has been asked to reduce its ceiling from 580,000 b/d to 500,000 b/d.

MEES reported that there had been speculation about the reasons for the Government's action.

This ranged from belief in its genuine desire for conservation, to the possibility that it might be part of a move among members of OPEC towards production restraint, because of an expected glut in the oil market next year.

North Yemen launches 3bn. development plan

Y JAMES BUXTON

SANAA, Nov. 28.

TH YEMEN has launched its opment plan, which, if emented, will dramatically form this remote and barely loped country in the south corner of the Arabian nsula.

e plan is to be discussed and ysed by more than 200 gates at a four day develop- t conference which was ed to-day by the President e Command Council, Lt.-Col. ed Al Ghashmi. Most of the gates are from Arab govern- s and aid funds, and from ern countries and multi- al aid organisations. A r aim of the conference is attract more aid to the eni economy. The Govern- also wants to attract pri- investors both from the Arab world and industrialised countries.

North Yemen differs from other Arabian States in having a relatively large population (about 6m.), high rainfall in parts of the mountains which rise to over 12,000 feet, and thus a substantial, if largely subsistence, agriculture. But no oil has been found and only the most basic infrastructure installed.

Under the plan the Government aims to spend 16.5bn. Yemeni riyals ($3.6bn.) over a five-year period running from 1976-81. The largest allocations are for infrastructure development but agriculture and industry are also to be developed. The plan entails spending four times as much money a year as was spent in the last year before the plan period.

Somalis say Harar captured

By John Worrall

WHILE THE REBEL High Command of the West Somali liberation force to-day claimed in Mogadishu that they had gained "complete control" of the ancient town of Harar, no confirmation could be obtained from Addis Ababa and there were no reports of retreating Ethiopian troops.

Sources in Addis Ababa embassies indicated that the Ethiopian forces were still in full control of the town and that fighting had eased off round the high walls since the big commando assault on Wednesday when battle-hardened groups of Somali rebels reinforced by Somali regular troops broke into the town. They were repulsed with heavy losses after fighting raged along the narrow streets.

Some diplomats in Addis said they had been in telephone contact with Harar during the weekend and were told the town was "quiet." For days, the Ethiopian press has failed even to mention fighting round Harar

To-day in Mogadishu the 20,000 strong West Somali liberation force leader, Abdullah Hassan Mohammed, announced that his troops were "in complete control of Harar and the surrounding area." He said the next target was the Ethiopian airbase and rail town of Dire Dawa.

The town is patently in great danger from the Somali liberation fighters now in sight of victory over the whole Ogaden region. Putting up a tough defence in spite of problems of supplies and morale, the town is crucial to the defence of Eastern Ethiopia and its loss would deal a damaging blow to the prestige of the Ethiopian leader Colonel Mengistu Haile Mariam and his not very stable government.

There were reports that Russian and Cuban advisers were evacuating Harar this week-end but it seems, according to Djibouti sources, that they were medical and hospital personnel leaving by road for Dire Dawa.

Copper survey ordered

Y MICHAEL HOLMAN

LUSAKA, Nov. 28.

ident Kaunda has announced appointment of a seven- ber commission to study the lems of Zambia's ailing er industry. Both Roan Con- lated Mines (RCM) and anga Consolidated Copper s are facing serious financial ulties as a result of the inuing low copper prices.

e committee will be headed Mr. Luke Mwananshika, rnor of the Bank of Zambia. ll report back to the Presi- by December 31. Seven weeks ago, in a key economic speech, Dr. Kaunda told an emergency meeting of the Zambian Parliament that the plight of the copper industry called for "exceptional measures."

One cost-cutting item under consideration will be retrenchment among the 59,000 mine workers, but a leader in The Times of Zambia to-day ruled out "wholesale sacking of workers and drastic pay cuts" as "neither humanistic, practical, possible nor expedient."

anzania-Kenya in border talks

Y OUR OWN CORRESPONDENT

NAIROBI, Nov. 28.

EETING is to be held next in Kisumu, Kenya, between ernment officials of Tanzania Kenya to deal with problems ng out of apportioning the ts and liabilities of the nct East African Com- ity. High on the agenda will he question of reopening the zania-Kenya border.

is was closed unilaterally by ident Julius Nyerere after collapse of East African Air- ways. Tanzanian sources say President Nyerere is prepared to reopen the border in January providing a satisfactory arrangement can be made over the community's assets and liabilities.

The border is completely sealed and there is no direct movement by road, rail or air between Nairobi and Dar es Salaam. Neither Kenyan, Tanzanian nor international aircraft can fly direct.

Polisario frees fishermen

Western Saharan guerillas yesterday released three fishermen they captured in an attack on a Spanish trawler off the Saharan coast this month, Reuter reports from Algiers.

The men were freed at the Algiers headquarters of the Polisario Front, which is fighting for the Western Sahara's independence with Algerian backing. Representatives of Spanish left-wing parties, trade unions and supporters of Polisario demands attended the liberation ceremony.

Harrier sale alarm

The Communist Party Newspaper Pravada yesterday expresed its alarm over Chinese plans to purchase the British Harrier fighter plane, David Satter reports from Moscow. Pravda said "A dangerous identity of views" has developed lately between the Chinese and Nato.

S. Africa detainees

More than 700 people are detained without trial in South Africa, according to latest figures from the Institute of Race Relations, Reuter reports from Johannesburg. Another 160 are restricted by banning orders, which effectively silence the victims.

ON OTHER PAGES

WORLD TRADE NEWS

U.K. clothing exports top £67m.

By Kevin Done

BRITAIN'S CLOTHING industry achieved record export levels in October, with overseas sales of £67.3m. This was the highest level of sales reached for a single month, beating the previous peak set in August of £58.6m.

Clothing exports for the quarter August to October totalled £193.1m., a 50 per cent. increase on the same period of 1976 in terms of value and a 32 per cent. increase in terms of volume.

According to the Clothing Export Council, the industry is on target for its main aim of increasing clothing exports to £1bn. by 1980. It says that exports for the current year, "will almost certainly exceed £620m." and the sales performance in the last six months has been at a rate of £800m. a year.

The industry has been seeking to boost exports in an attempt to cut back on its very large trade deficit as a result of the great increase in imports of low cost clothing into the U.K. over recent years.

Exports in the three months August to October last year were stimulated by the fall in the value of the pound, and the Council suggests that the record figures achieved in the same quarter this year indicate a new level of market penetration, particularly in Europe.

West Germany has now become Britain's best export market for clothing in Continental Europe and exports to that country should exceed £50m. for the year. Exports of £40m. to £50m. are certain for the 12 months to Sweden, the Netherlands, France and Norway, while exports to Ireland should exceed £70m.

But the industry is still heavily in deficit despite the improving export performance. For the ten months to the end of October (with 1976 figures in brackets) imports totalled £647m. (£566m.) while exports amounted to only £486.2m. (£323.9m).

Volkswagen in talks on Iran car assembly plant

BY GUY HAWTIN

FRANKFURT, Nov. 28.

VOLKSWAGEN, West Germany's largest motor-car manufacturer, is in talks with the Iranian Government which could lead to the group setting up a plant there. A spokesman at the group's Wolfsburg headquarters to-day confirmed that negotiations had been going on for two years

News of the possible deal broke to-day in the Teheran daily newspaper Ayandeghan and it seems highly unlikely that the report did not have a degree of approval from the Iranian Government. Ayandeghan said that the deal would be similar to that signed the week before last between *Peugeot-Citroen and Iran* National, the Iranian car company.

However, the potential size of the Volkswagen deal appears to be far larger than that signed with the private French group. Ayandeghan stated that the plant envisaged would eventually produce up to 300,000 vehicles a year and a proportion would be exported to Middle East countries.

Volkswagen refused to comment upon the figures although it is understood to be taking the talks very seriously. The group already has considerable experience in large-scale production overseas. It already has major facilities in Brazil and Mexico, while its new U.S. assembly plant is due to come on stream soon.

Iran National's deal with Peugeot-Citroen, signed on November 17, covers the production of a new middle-range Peugeot car at an eventual rate of up to 100,000 units a year. If the Volkswagen deal goes through at the output levels implied by Ayandeghan, it seems that the product will be a smaller car on the lines of its Golf model which is enjoying high popularity at home and abroad.

If the talks prove fruitful, VW's potential earnings from Iran would be significantly greater. This must be good news for I.G. Metall, the large West German metal workers' trade union, which has been expressing concern for its members' futures as a result of the group's decision to open the U.S. assembly facilities.

Toyota may buy in U.K.

TOKYO, Nov. 28.

TOYOTA MOTOR said it is negotiating with three companies in France and Britain to import car parts to help promote Japanese imports from the European Economic Community.

A Toyota spokesman said it is too soon to give details on dates, quantities and car models, but the company expects to finalise contracts in the near future.

Negotiations are in progress for purchases of sealed beam lights from Cibie Projecteurs of France and Joseph Lucas Industries of Britain, with seat belts from Magnet Mangol also of Britain, he said.

Present plans call for fitting the parts to passenger cars as early as February 1978 for export to Europe, he added.

Meanwhile the Automobile Manufacturers Association reports that Japanese vehicle exports in October rose to a record high for the month and showed an increase of 19.5 per cent. over the same period last year. But the export total of 360,088 vehicles was down nearly 10 per cent. from the record monthly high in September.

Shipments to the EEC rose 6.3 per cent, while exports to Britain rose 17.3 per cent., bringing total sales to the market for the first ten months of this year to 143,900 vehicles, compared with 121,387 in the same period last year, the association said.

Industry sources said Japanese vehicle exports to Britain for 1977 will reach 165,000 units compared with 134,789 last year. Reuter

A spokesman for Toyota in the U.K. said that the recently established Brussels office was reviewing a wide range of European components for use in Toyota cars.

Negotiations were well advanced for a supply of British-manufacturered seat covering material and the company was willing to both consider and test major components.

Fiat nuclear link with State concern

By Paul Betts

ROME, Nov. 28.

THE Turin-based Fiat group, Italy's largest private company, and the State-controlled FinMeccanica concern have reached an agreement to collaborate in the nuclear energy field.

The two companies are to collaborate on a 50-50 basis on the construction of, among other things, soft water power stations built under Westinghouse licence.

The agreement also envisages eventual sales abroad of the two companies' nuclear production.

In the first instance it is designed to meet the needs of the domestic market in the wake of the nuclear energy plan recently approved by the Italian Parliament. This involves the initial construction of eight nuclear power stations.

China buys offshore supply ship

By Fay Gjester

OSLO, Nov. 28.

THE Chinese Government has bought a 910 tonne d.w. offshore supply boat from a Norwegian company — Stolt-Nielsen of Haugesund — and is reportedly interested in buying additional oil rigs from Norway, following its recent purchase from Fred Olsen of the H-3 rig Borgny Dolphin.

The supply boat, Seaway Perm, will escort Borgny Dolphin on its journey to China. It will sail with a Norwegian crew, which will give a short training-course to the first Chinese crew to take over the ship. Seaway Perm was built in the Netherlands in 1975.

Siemens order

Siemens AG has received orders from Saudi Arabia for the construction of two power distributors valued at a total of DM77m. AP-DJ reports from Munich.

Mitsui-Saudi deal

Japan's Mitsui Shipbuilding and Engineering said yesterday it had won an $85m. order from Sogex International of Britain to export desalination plant equipment to Saudi Arabia, Reuter reports from Tokyo. The British company and the Envirogenics System Company of the United States jointly won a $712m. contract from the Saudi Arabian Saline Water Conversion Corporation last March to build a desalination plant at Jeddah.

Franco-Syrian accord

French Premier M. Raymond Barre yesterday ended his visit to Syria and flew back to Paris after he signed an agreement for the guarantee of French investments in Syria. Louis Fares reports from Damascus. "This agreement should encourage French firms to establish stronger relations with Syria," he said before his departure.

British consortium wins $25m. S. Korea contract

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

A BRITISH consortium led by Herbert Morris has won a $25m. contract to supply equipment for the Okpo Bay industrial complex being developed by Korea Shipbuilding and Engineering Corporation (KSEC).

KSEC will be purchasing about $150m. of hardware outside Korea for the project, but this is the biggest single package to be placed in Europe. It was won in the face of tough competition from Finland, Sweden, Denmark and West Germany.

During the negotiations, and at a crucial stage, the value of the dollar fluctuated wildly. In one day the cost of the package to the Finns went down 5 per cent. while it rose 10 per cent. for the British because of the movement in the value of the dollar.

"But the ability of the British to supply a total package, including finance at the right terms, clinched it," said Mr. George Read, sales director of Morris.

About one-third of the hardware in value terms will be provided by Morris in the form of 50 overhead travelling cranes and associated equipment. The biggest crane will have a lifting capacity of 200 tonnes.

Among other companies in the consortium are Atlas Copco, supplying air compressors; GEC Switchgear, substation equipment: Hugh Smith (Glasgow), forming machinery; Spencer and Halstead, shotblasting machinery; and Weir Pumps, dock pumps. There are other contracts to be awarded.

A. and P. Appledore (London), the consulting engineer, was appointed in 1976 to provide technical assistance for design and construction of the Okpo facilities.

Morris is main contractor and responsible for shipping the U.K. equipment. Its own cranes start being shipped early next summer for completion in the autumn of 1979.

The contract is at a fixed price, but the speed at which the products have to be delivered eases this problem for the companies involved.

Buyer finance, *including* "front end" finance, for the deal is being provided by Lloyds Bank International which has an office in Seoul, Korea.

ECGD backing

The ten-year, low-interest money is covered by guarantees from the Exports Credits Guarantee Department. Mr. Read said: "The ECGD was tremendously helpful while this contract was being negotiated."

Talks began 18 months ago, before Morris became a subsidiary of the Davy International group.

The deal is extremely important for Morris, as it is the first time that Morris has taken the lead in a consortium of th[e] type. Also the equipme[nt] required will take up about ha[lf] the heavy crane-making capaci[ty] at Morris's Loughboroug[h] factory, and it provides the com[pany] with a foothold in the F[ar] East markets because KS[EC] eventually will go into partne[r]ship with the U.K. concern [to] sell Morris cranes in that area.

The plan is for Morris to se[nd] heavy crane "kits," consisting [of] key components, to Korea a[nd] the local company will [be] responsible for the steel fabri[ca]tion work.

The timing of the deal cou[ld] not be better for Morris becau[se] the main customers for overhe[ad] travelling cranes are the st[eel] and shipbuilding industries both currently in a state [of] severe recession.

Mr. Read said that Morris h[ad] record orders for standard ov[er]head travelling cranes. Mor[ris] had increased its share of t[he] U.K. market for medium a[nd] standard overhead travelli[ng] from 20 to 35 per cent duri[ng] the recession. The main co[m]petition comes from Demag, pa[rt] of the West German Mann[es]mann group.

Okpo Bay is part of Joje Isla[nd] which is off the south-east co[ast] of Korea, about one and a h[alf] hours by sea from th emajor p[ort] of Busan.

TEXTILE QUOTAS

Australians to extend curbs

BY KENNETH RANDALL

CANBERRA, Nov. 28

THE Australian Government has announced a series of measures to protect its domestic clothing textiles and footwear industries against imports, including the extenson of import quotas to a number of new items.

The announcement of the new measures follows last night's speech by the Prime Minister Mr. Malcolm Fraser opening the Government's campaign for re-election on December 10, in which he said: "We have saved tens of thousands of Australian jobs because we gave Australian industry the protection we promised. Unlike Mr. Whitlam we have not exported thousands of jobs through across-the-board tariff slashing."

Mr. Gough Whitlam, now leader of the Labor Party opposition, made an across-the-board tariff cut of 25 per cent. when he was Prime Minister in 1974.

Tariff quotas will apply from November 1 to curtains, certain knitted fabrics, PVC jackets and coats, PVC and rubber-covered rainwear and leather clothing among others. In most cases the quota is set at the level of *1976-77* imports with penal-level duties above the quota—$A per garment, for example, in t[he] case of coated rainwear.

Import quotas already apply to a wide range of clothing, te[x]tiles and footwear are bei[ng] extended to mid-1980 as the ma[in] element of a three-year assi[st]ance programme for domest[ic] producers. Quotas will [be] allocated to importers for [six-]month periods but quota lev[els] will be reviewed every s[ix] months by a new committee [to] be established under an ind[e]pendent chairman.

This will mean in practice th[at] importers are given notice w[ell] in advance of a six-mont[h] entitlement covering the bulk [of] their quota, with the rest al[lo]cated later in accordance wi[th] "fine tuning" decisions. Dela[ys] and lack of predictability [in] quota allocation have be[en] sources of constant criticism [of] the Government since it plac[ed] curbs on imports.

Clothing items affected [by] changed import restrai[nts] include men's and boys' overal[ls,] woven shirts and most ski clot[h]ing. Underwear and knitt[ed] sleepwear is to be subject [to] close monitoring and high-pric[ed] footwear (to be defined by val[ue] at six-monthly intervals) is bei[ng] exempted from import licensi[ng] but all specialist sporting fo[ot]wear is to be brought und[er] licensing arrangements becau[se] of the administrative difficulti[es] of singling out certain typ[es] which compete with locally-ma[de].

EEC deadline approaches

BY DAVID BUCHAN

BRUSSELS, Nov. 28.

BRUSSELS OFFICIALS to-day admitted that, with only some nine agreements reached with textile supplying countries covering about 100,000 tonnes for next year, the EEC commission's negotiating time-table has slipped badly. But they still expressed hope that agreements might be reached by Wednesday night—with some of the big four suppliers—Hong Kong, India, Korea and Brazil.

This is the deadline that the Commission has set to give member states enough time to judge the results of the bilateral negotiations and for the Council of Ministers on December 19 and 20 to decided whether or not to renew the multifibre arrangement (MFA).

Meanwhile, the Commission to-day announced "transition" measures for the start of 1978, which will come into force whether the MFA is renewed or the Community decides on unilateral measures instead. The three measures, intended to make for a "smooth transition" from the present system, allow: 1. Textile imports arriving next year to be counted in the 1977 quotas—provided they were shipped before the end of this year. 2. Imports which become subject to limits for the first time in 1978 to escape these limits provided they are exported before January 1 and imported into the EEC before March 31. 3. A grace period up to March 31 for countries which find it difficult to comply with new documentation rules on imports into the EEC. But such imports are to be charged against the 1978 limits and may not exceed 40 per cent. of the year's quota.

● Switzerland to-day denounced Italian "protectionist measures" against imports of textiles and threatened to retaliate, AP-DJ reports from Berne. The new Italian procedure for textile import authorisations was "incompatible with existing agreements between Switzerland and the European Community," a spokesman said.

GATT call on trade rules

By David Egli

GENEVA, Nov. 28.

A CLARIFICATION of the rul[es] governing international tra[ns]actions is crucial to the effort [to] contain protectionist trends. Th[is] is one of the main conclusions [of] a study on trade liberalisatio[n,] *protectionism and interdepen*[d]ence to be published to-morro[w] by the secretariat of the Gener[al] Agreement on Tariffs and Trad[e] (GATT).

The study, produced by thre[e] senior GATT economists, claim[s] that protectionism cannot b[e] arrested unless each country ca[n] be sure what the rules are, an[d] that other countries are obser[v]ing them.

Special importance is attache[d] to the pursuit of correct exchang[e] rate policies, as well as othe[r] policies needed to avoid exce[s]sive balance of payments di[s]equilibria. "Payments balances," the study says in conclusio[n,] "are a convenient excuse fo[r] protectionism, even though th[e] use of import restrictions is a[n] "inefficient response to balanc[e] of payments problems."

India gains concession

BY K. K. SHARMA

NEW DELHI, Nov. 28.

INDIA HAS obtained a major concession from the European Economic Community which has agreed to permit duty-free entry of jute products from next January—six months in advance of the original time table set three years ago. This is one of the decisions taken at last week's meeting of the Indo-EEC Joint Commission in Brussels.

During the discussions on further economic contacts between the EEC and India the Commission agreed that studies should be initiated on collaboration to promote sales of jute and coir. A similar study will be undertaken later on tea provided the EEC agrees to finance the promotional campaign.

While progress in these areas has been noted with satisfaction in terms of the commercial cooperation agreement between India and the EEC, the Indian delegation spoke with concern at the protectionist tendencies it noted in Europe. This obviously refers to the EEC's decision to impose quotas on textile imports which directly affect India.

The quota decision has come at a time when the U.S. has agreed to liberalise textile imports. Talks on a new bilateral agreement between India and the U.S. on textile trade are to be held this week at official level.

FINANCIAL TIMES

BRACKEN HOUSE, 10, CANNON STREET, LONDON EC4P 4BY

Telex: Editorial 886341/2, 883897 Advertisements: 885033 Telegrams: Finantimo, London PS4

Telephone: 01-248 8000

For Share Index and Business News Summary in London, Birmingham, Liverpool and Manchester. Tel: 246 8026.

INTERNATIONAL AND BRITISH OFFICES

EDITORIAL OFFICES

Birmingham: George House, George Road. Telex 338650 Tel: 021-454 0922
Bonn: Presshaus 11/104 Heussallee 2-10 Telex 869542 Tel: 210039
Brussels: 39 Rue Ducale. Telex 23283 Tel: 512-9037
Dublin: 8 Fitzwilliam Square. Telex 5414 Tel: 785321
Edinburgh: 37 George Street. Telex 72484 Tel: 031-226 4120
Frankfurt: Im Sachsenlager 13. Telex 416263 Tel: 555730
Johannesburg: P.O. Box 2128. Telex 8-6257 Tel: 838-7545
Madrid: Esprondceda 32, Madrid 3. Tel: 253 0173
Manchester: Queens House, Queen Street. Telex 666813 Tel: 061-834 9381
New York: 75 Rockefeller Plaza, N.Y. 10019. Telex 66390 Tel: (212) 541 4625
Paris: 36 Rue du Sentier, 75002. Telex 220044 Tel: 236.5743
Rome: Via della Mercede 55. Telex 61032 Tel: 678 3314
Stockholm: c/o Svenska Dagbladet, Raalambsvagen 7. Telex 17603 Tel: 50 60 88
Tehran: P.O. Box 11-1879. Telex 212634 Tel: 682698
Tokyo: 8th Floor, Nihon Keizai Shimbun Building, 1-9-5 Otemachi, Chiyoda-ku. Telex J 27104 Tel: 241 2920
Washington: Second Floor, 1325 E. Street, N.W., Washington D.C. 20004. Telex 440225 Tel: (202) 347 8676

ADVERTISEMENT OFFICES

Birmingham: George House, George Road. Telex 338650 Tel: 021-454 0922
Edinburgh: 37 George Street. Telex 72484 Tel: 031-226 4139
Frankfurt: Im Sachsenlager 13. Telex 16263 Tel: 554667
Leeds: Permanent House, The Headrow. Tel: 0532 454969
Manchester: Queens House, Queen Street. Telex 666813 Tel: 061-834 9381
New York: 75 Rockefeller Plaza, N.Y. 10019. Telex 423025 Tel: (212) 489 8300
Paris: 36 Rue du Sentier, 75002. Telex 220044 Tel: 236.86.01
Tokyo: Kasahara Building, 1-6-10 Uchikanda, Chiyoda-ku. Telex J27104 Tel: 295 4050

SUBSCRIPTIONS

Copies obtainable from newsagents and bookstalls worldwide or on regular subscription from Subscription Department, Financial Times, London.

Cabinet to discuss nuclear power order programme

BY RAY DAFTER

E CABINET is to discuss immediate nuclear ordering gramme to-day. Mr. Anthony dgwood Benn, Energy Secre- , will attend knowing that support for the advanced cooled reactor (AGR) has strengthened by the new rgy Commission.

he 22-man commission, called ther for the first time, urged ngly that early AGR orders uld be placed, Mr. Wedgwood n said.

ut doubts were raised about advisability of pressing ad with alternative reactors, ticularly the pressurised er reactors (PWR) and the mercial fast breeder reactors FB).

he Trades Union Congress resentatives on the commis- n apparently urged that PWR gn work should at least be continued "as an insurance policy."

This falls short of the Central Electricity Council's stance which favours the construction of both AGR and PWR reactors.

At the heart of yesterday's commission meeting was a Department of Energy report showing that a widening energy gap could open from the 1990s. Department officials have recommended that there is little alternative but to develop nuclear energy to fill much of this gap.

Mr. Wedgwood Benn is not totally convinced. He referred to the "bamboo curtain" of forecasts based on conventional energy wisdom. Many forecasts were no more than a series of assumptions. He felt that the scope for conservation and renewable energy resources had been under-estimated.

Government to review competition policy

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

E GOVERNMENT is to amend 1973 Fair Trading Act to ure that the requirements of industrial strategy are taken o account when assessing the nts of proposed mergers.

n the past there have been es where there has appeared be a conflict between competi- n policy and the Government's n of encouraging the develop- nt of larger groupings in cer- n industries.

But Mr. Roy Hattersley, Prices retary, said yesterday that re was no conflict in principle ween the industrial strategy effective competition policy that the Act would be ended to make this clear.

Mr. Hattersley was announc- details of an internal review of competition policy which could result in fundamental changes being made to the law. The working party will be headed by Mr. Hans Leisner, chief economic adviser at the Department of Prices, Trade and Industry.

The review, to be carried out by officials from all the government departments involved in the field of competition policy, will start from the assumption that biggest is no longer automatically best.

The decision to hold the inquiry, first announced in the Queen's Speech, reflects the Government's concern about the growing concentration of British industry.

Editorial comment, Page 18

I would not pass money to a soldier—Racal chief

FINANCIAL TIMES REPORTER

E CHAIRMAN of Racal Elec- nics explained his attitude to nian arms contracts when the ruption trial of two of his mer executives resumed yes- day at the Old Bailey.

Mr. Ernest Harrison, who epted that the Racal group l passed £255,000 in commis- n to Sir Shapoor Reporter, an nian business consultant, said he could not give full details he payments because some of m probably had come under group controller.

his might be why £90,000 of money had been debited to al Mobilcal, another sub- ary, instead of Racal BCC ch actually got the contract.

Mr. Geoffrey Wellburn, 41, and Frank Nurdin, 61, deny ng £25,000 improperly to Col. David Randel, 41, to help al BCC with a £4m. defence contract for the Iranian army in 1971-72.

Lt.-Col. Randel, who was a communications adviser to the Defence Ministry at the time, denies corruptly receiving the money from them.

Mr. Harrison added: "As chairman of a public company I take my responsibilities well and I think the results demonstrate that we were in communication with Sir Shapoor on all our Iranian contracts. There was nothing illegal about that and it is allowable by law and by tax rules.

"But I have never been party to any payments to Lt.-Col. Randel because I would not contemplate money being paid to a serving soldier, even if it was for onward transmission to Iranian authorities.

The hearing was adjourned until to-day.

Machine-tool aid scheme still has £6m. left

BY OUR INDUSTRIAL CORRESPONDENT

E GOVERNMENT'S machine industry aid scheme still £6m. left and the Industry artment yesterday issued a inder that applications must n by the end of the year.

hen the scheme was laun- l in August 1975, about n. in aid was allocated and was stepped up to £30m. in ust last year.

he scheme was simplified to e it more attractive to ller companies and its scope ned to take in manufac- rs of associated equipment.

ie minimum cost of a quali- g project is now £50,000 for uct development projects and £25,000 for re-equipment and expansion.

So far, the Department has had about 230 applications which, if all are given the go-ahead, would take up £24m. of the available cash.

Machine tool companies will still be able to apply for assistance for the crucial area of new product development under the Department's Product and Process Development Scheme.

Some groups within the industry are likely to take advantage of the scheme, shortly to be introduced, which aims to help smaller companies develop new export markets.

LT seeks 450 new buses

BY OUR INDUSTRIAL STAFF

DON TRANSPORT faces a ner assessment before decid- whether British Leyland's n or Metro Cammell Wey- n's Metrobus should form basis of its new double- er fleet.

ie Greater London Council o consider to-day a recom- dation that London Transport be authorised to purchase, for £17m., 450 double-deckers of either type next year.

However, it was felt that London Transport had not had enough operational experience of the two buses.

Thus, the initial order should be for a limited number until further experience was gained.

Warning on beer price

BY KENNETH GOODING

PRICE of a pint could ble if the "tied" house system r which the brewers own the ority of public houses is cally altered, according to Brewers Society.

ie brewers are worried that Roy Hattersley, Prices Sec- y, might be tempted to insist changes to the tied house em because he wants to make ical capital out of the Price mission report, published summer, which suggested the industry's structure ld be looked at again.

Hattersley's Department been told by the brewers beer distribution costs d soar should the "tie" system end and public houses be able to buy their beer from any source — not just from the brewer which owns the outlet.

BP start on Magnus Field expected soon

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITISH PETROLEUM is expected to sanction the development of its northerly offshore Magnus Field, at a cost of £1bn., within the next two or three months.

It is likely to be one of the costliest single projects in the North Sea, requiring either a very large steel platform or a concrete storage and production unit.

The £1bn. was hinted at yesterday by Dr. Jack Birks, technical director of BP Trading. That would involve the group in an investment considerably more than that in its much bigger Forties Field, which came on stream two years ago and is equipped with four production platforms.

He told contractors attending a London conference organised by the Offshore Centre yesterday that offshore development costs had risen fivefold in recent years.

A few years ago, a company developing a sizeable field could expect to invest £2,000 for every barrel of oil produced each day during peak output. More recently, the cost had risen to nearer £4,000 a daily barrel.

A deep-water field projected to yield about 100,000 barrels a day or more and to be sanctioned next year could cost about £10,000 a daily barrel.

Although Magnus was not mentioned, it is known that the field falls within this category. Recoverable reserves are thought to be in excess of 400m. barrels and output is likely to be in the 100,000-150,000 b/d range.

The BP Board is expected to sanction the development in January or February but it could be next summer before the group decides on a production method.

Much depends on whether the Magnus oil can be transported to the Sullom Voe terminal in the Shetland Islands via the Ninian or Brent pipeline systems.

This, in turn, depends on the amount of spare capacity in each pipeline which will largely depend on the depletion profile of fields already committed to the pipeline systems.

Gravity

If neither pipeline is capable of carrying the Magnus oil then BP may decide to transport the crude in tankers. The ships would be loaded at an offshore terminal connected to storage facilities in the base of the platform.

It is probable that BP would choose a concrete gravity structure if storage and offshore loading were the favoured development method. But given spare capacity in one of the pipelines, the group would probably opt to build a steel platform without storage.

Dr. Birks also told the conference that much work was being done in BP and elsewhere in the offshore industry to "miniaturise" production equipment.

Mr. Robert MacAlister, vice-president of Occidental International Oil, speaking on oil industry-government relations, said that his group considered the operating conditions imposed by the U.K. Government as acceptable.

Report on Crown Agents' loss due on Thursday

BY MARGARET REID

THE REPORT of the Fay committee on the Crown Agents' heavy loss-making excursion into secondary banking and property in the years up to 1974 will be published on Thursday afternoon.

A Government statement on the findings of the lengthy report about the causes of the near-£200m. losses—which necessitated an £85m. State grant in December 1974 to stave off a financial crisis—will be issued at the same time.

The Government also is to publish on the same day the hitherto secret report on the Agents produced in 1972 by a committee headed by Sir Matthew Stevenson, formerly Permanent Secretary of the Ministries of Power, and then Housing and Local Government.

The reports will be published as Commons Return papers, a status which affords the protection of privilege for the publication of extracts from, and abstracts of, the documents.

Since Mr. John Cuckney took over in October 1974 as chairman of the Crown Agents, succeeding Sir Claude Hayes, a policy of withdrawal from secondary banking and property has been followed. The Agents' liabilities are fully backed by the Government.

'Insider' reprimand for former NatWest assistant manager

BY MARGARET REID

A BANK official who used confidential information for a share transaction which yielded a profit of about £500 has been reprimanded by the City Take-over Panel.

The official, the assistant manager of a large branch of the National Westminster Bank in the Manchester area, has now left the bank's employment and has agreed to pay over the profit from the deal to a charity approved by the Panel.

A statement on the matter was issued by the Panel last night, on the eve of to-day's unveiling of the Government's proposals to combat insider trading.

It recalled that, shortly after 4 p.m. on April 13, 1977, an announcement was released to the Stock Exchange and the Press saying that an offer would be made by JWI, a Canadian company, for the ordinary share capital it did not already own in CH Johnson and Sons—a wire-making company—at 60p a share.

The Panel went on to say that a copy of the announcement was seen early in the afternoon of that day by Mr. G. R. Ellerton, an assistant manager at a National Westminster Bank branch which had taken part in the negotiations which led to the offer being made. "Mr. Ellerton was not personally involved in these negotiations but had access to the information by virtue of his position in the bank," the statement continued.

According to the Panel, Mr. Ellerton telephoned his stock-broker and, using the name of a friend who happened to be a client of the same firm, asked for the price of Johnson's shares.

It was apparent from the answer that the announcement had not by then been made public, but Mr. Ellerton nevertheless placed an order in the name of the friend for 2,000 shares, which were bought at 34p a share. The friend, who was abroad at the time and had no knowledge of the purchase, accepted the JWI offer and paid over the profit on the transaction to Mr. Ellerton.

At Johnson's request, the Stock Exchange launched an investigation into dealings in the company's shares, the results of which were passed on, in the usual way, to the company, which then pursued its own inquiries. As soon as he became aware of these investigations, Mr. Ellerton told his superiors at the National Westminster of his share purchase and they immediately carried out an investigation.

The Panel says it takes the view that the purchase was in breach of Rule 30 of the Take-over Code—which bans dealing in the relevant shares by any person who is privy to preliminary take-over or merger discussions or to an intention to make an offer. Thus, it reprimands Mr. Ellerton.

The statement also says that Mr. Ellerton accepts that his action was wrong and has expressed his regret to the Panel.

Keyser Ullmann sues Stern

FORMER property-developer William Stern was sued for nearly £1½m. by Keyser Ullmann, the London merchant bankers in the High Court yesterday.

The claim by Keyser Ullmann against American-born Mr. Stern, whose group of companies crashed in 1974 with a decline of the property boom, is for £1,429,738. It arises from Mr. Stern's personal guarantee on June 14 1973 for cash due or owing by one of his companies, Magnum Hotel (Manchester).

Mr. Lionel Swift, QC, for Keyser Ullmann, told Mr. Justice Talbot that Mr. Stern, "well-known entrepreneur," of Prince Consort Road, South Kensington, disputed the claim on the basis that it was unenforceable against him.

Mr. Swift said clients looked at their claim as a simple and straightforward matter, despite the number of legal authorities in court to be cited.

Mr. Stern, he said, contended that by a scheme of arrangement under Section 206 of the Companies Act, the sums which would otherwise be due under the guarantee were not enforceable against him.

Keyser Ullmann had injected cash into the Stern Group in 1973, and had advanced further sums the following year when that group got into difficulties. This was to enable developments to be completed and avoid a catastrophic collapse, it was said.

The hearing continues to-day.

HOME NEWS

Japanese Subaru cars go on sale

BY TERRY DODSWORTH

THE SUBARU range of Japanese cars, which go on sale in Britain this week, will cost from £2,600 to almost £3,700.

The four-wheel drive estate, which Subaru hopes to sell for off-road purposes and normal motoring, will cost £3,697.

The Subaru importers in the U.K., who are associated with the former Jensen company, said yesterday that they were aiming to make further dealer appointments soon to bring their total to about 30.

Eventually, they hope to bring the dealer list to 100, selling about 10,000 vehicles a year, but the immediate aim is to meet the minimum commitment of 1,500 cars in the first year.

All five vehicles in the Subaru range are powered by the same design of 1.6 litre flat-four engine driving the front wheels and all have independent suspension and rackand-piion steering.

Renault

The Japanese manufacturing company is a part of Fuji Heavy Industries, which is loosely connected with the Nissan group.

• The Renault 20TS, also going on sale in Britain will cost £4,724 for the manual version to *£5,054 for the automatic.*

The TS shares the same five-door hatchback body as the 2.7 litre R30 and the 1.6 litre R20, but is powered by a 2.0 litre engine.

The unit is made at the joint Renault-Peugeot-Volvo engine plant at Douvrain in France.

Perstorp £5m. spending plan

PERSTORP, the Swedish chemicals and plastics concern, has corrected its statement made last week of group investment intentions for the U.K.

It is planning to spend £5m. over the next five years in Britain—£4m. in chemicals and £1m. in decorative laminates—and not £15m. as stated last week.

Pay rises and exports decline worries CBI

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

CBI LEADERS are becoming concerned that a decline in the rate of growth of exports plus high levels of pay increases may upset Britain's economic recovery next year and lead to a boost in consumer spending and a worsening of the country's balance of payments.

This view is growing in spite of a steady improvement in the likely trend of price rises and what is described as "exceptionally good" exports of manufactured products so far this year.

These are the main points to emerge from the CBI's monthly economic and trends report drawn from survey replies submitted to the CBI by more than 2,000 companies in manufacturing industry between November 1 and 16.

When industrialists and economists on the CBI's economic situation committee met last week under the chairmanship of Mr. Ray Pennock, a deputy chairman of ICI, to approve the report, they reflected increasingly gloomy views about prospects from their own companies.

This led the CBI yesterday to say that "although economic forecasts for the next few months have pointed to some recovery for industry in general, no such recovery is yet apparent from more up-to-date information."

Their worries start with the development of the current pay policy because, at best, the 10 per cent. target for earnings increases is becoming a norm for settlements. "Even if widespread breaches of the guidelines are avoided, it seems that pay increases may, in many industries, be too high to be sustained without damage to output. Increases of more than 19 per cent in earnings over the next two years would clearly lead to lower output and employment by 1979 than would an average increase within the guidelines."

The CBI also points out that the intake of export orders has slowed since the middle of the year and that, although there are hopes that it will pick up again, developments in world trade will not help.

Economic growth next year, therefore, might be slanted away from an expansion of exports and towards more consumer spending, which could have an adverse effect on industrial confidence and profitability.

On the brighter side, the improved prospects for price rises emerge from the fact that fewer companies reported intentions to raise their average selling prices than at any time since April 1972. The figures show a marginal improvement on results for September and October and continue a trend that has been evident throughout the year, so that now there is a balance of only 46 per cent. of respondents expecting to raise prices compared with 77 per cent. last December.

Britain's oil 'a safety net'

NORTH SEA oil was providing a "safety net" for Britain and a chance to put its economy in order—an opportunity that must be grabbed while the going was good, Mr. Roy Close, director-general of the British Institute of Management, said yesterday.

"Some people are discussing the future use of oil revenues as if it is an either/or situation. It is not."

Mr. Close said at a London conference: "Of course we must ensure that some of the revenue is used for investment in new assets for future wealth, but we must also ensure that some is used for rewarding those whose special skills will be needed to *make those assets work properly* and pay for themselves and provide future wealth.

"We need a higher ratio between the value of what we put in and the value of what we get out."

Incentive must be given to people who wanted to be leaders. "We have in the past neglected quality and derided incentive and rewards for knowledge, skill and responsibility. We now have the *chance to put that right.*"

A key to the future was alert, professional and adventurous managers—"and recognised and rewarded managers," Mr. Close said.

Delays cost exporters £500m.

BY DAVID FREUD, INDUSTRIAL STAFF

BRITISH INDUSTRY is not taking advantage of the sophisticated transport and distribution services available for its exports, according to a "little Neddy" report. The direct cost of inefficiency and unnecessary delays to manufacturers is estimated to total £500m. a year.

The report said that the importance of transport and distribution in exporting was neglected by most British companies.

People in each company handling transport had low status, were untrained and had limited career potential. The shipment of exports generally did not come into company planning and there were large gaps in information.

Because of this, higher levels of stock were required to cover the delays in delivery; production schedules were tighter than necessary; cash flow was affected; and exporters often wasted considerable space in packaging, all of which they had to pay for.

Indirect losses caused by this inefficiency were estimated to be at least as high again as the £500m direct costs.

Dublin angry over Dutch pull-out

THE IRISH Government has reacted with undisguised anger to the decision by Akzo Dutch multinational to close down its £20m. Ferenka subsidiary at Limerick.

Mr. Desmond O'Malley, the Republic's Industry Minister, said "it is surprising and most disappointing that this decision should be announced when the workers had agreed to return to work."

Production at the Ferenka Steel cord plant has been at a standstill for seven weeks because of an inter-union recognition dispute that has cost an estimated £1.2m.

Yesterday's closure notice has come as a shock because it coincided with the return to work of Ferenka's 1,400 employees. The Irish Government has lost no time in saying that the £6.5m granted to Ferenka by the Industrial Development Authority must be repaid.

A three-man delegation from Ferenka's parent company within the Akzo group, the Arnhem-based Enka, warned the Dublin Government last week that closure was imminent unless the dispute was resolved immediately. After a vote by workers involved in the dispute to accept a peace plan it had been thought that Ferenka would drop its closure threat.

The Enka Board said in Arnhem last night that the decision to close the plant had nothing to do with the commercial prospects of the plant, which supplies many leading tyremakers.

He said the reason had been the accumulated losses, nearly £15m. since Ferenka's establishment, including the effect of the strike, and earlier repeated work stoppages.

"We have lost confidence in the company's ability to restore normal labour relations."

Ferenka Ireland opened in Limerick in 1972 and was originally scheduled to double capacity for a £40m. complex employing 3,000. It made the headlines when Dr. Tiede Herrema, its chief executive, was kidnapped by Republican extremists in October 1975 and held for six weeks that ended with the Monasterevin siege.

Although the Irish Government has been sympathetic to the Dutch company's problems it is clearly angry at the Ferenka pull-out and concerned that the decision may prejudice Ireland's vital foreign investment drive.

Mr. O'Malley's statement last night said that the "serious setback" of Ferenka's closure "would not be permitted to affect the momentum of Ireland's industrial drive."

APPOINTMENTS

Chairman changes at AITC

Lord Remnant has been elected chairman of the ASSOCIATION OF INVESTMENT TRUST COMPANIES. He succeeds Mr. D. A. Hunter Johnston, who has retired on completion of his two-year term of office but remains a member of the general committee. Mr. Mark R. Cornwall-Jones has become a deputy chairman of the Association. Mr. G. A. Stout and Mr. J. R. Storar continue as the other deputy chairmen.

Since 1970 Lord Remnant has been managing director of Touche Remnant and Co. He is also a director of a number of investment trust companies.

Men and Matters Page 18

★

Mr. I. Peter Lee has been appointed a deputy director general of the PANEL ON TAKE-OVERS AND MERGERS.

★

Mr. G. R. Oram has been appointed financial director and Mr. F. G. Sparrow, director and chief designer, on the Board of MIDLAND ELECTRIC MANUFACTURING, a subsidiary of Delta Metal.

★

Mr. F. S. K. Baron has been appointed chief executive designate of the international trading region of the GUTHRIE CORPORATION from December 1. Mr. Baron is at present the group's business development manager and he takes over as regional chief executive on May 1, on the retirement of Mr. R. F. Jenkins. Mr. T. E. Francis becomes managing director designate of Guthrie (Nigeria). He succeeds Mr. D. Duerden, who will have a consultancy position in London with the Guthrie Corporation. Mr. Francis was previously managing director of John Holt Ventures in Nigeria.

★

Mr. S. N. B. Leishman, senior partner of Grenfell and Co. since 1970 and of GRENFELL AND COLEGRAVE stockbrokers since January, 1975, is to retire from that post on April 28 but will remain a partner, retaining particular responsibility for administrative and financial matters. He will be succeeded by Mr. T. H. Joly de Lotbinière.

★

Mr. Michael Thompson has been appointed to the Board of the WILLIAMS LEA GROUP. He is managing director of Dolphin Press, a subsidiary.

Accountants demand more information on Co-op business

FINANCIAL TIMES REPORTER

MEMBERS of the co-operative retail societies are not given enough information about the state of the businesses they are supposed to control, the chartered accountants' journal claimed yesterday.

Although the co-operatives' accounts have to be prepared for the Registrar of Friendly Societies, there is no obligation to publish them, the magazine Accountancy says.

In a survey of the top 20 retail societies it found that only two gave details of departmental turnover and comparisons with the previous year.

Eleven did not publish details of the number of people employed, and none made any forecast about future prospects.

Even the Co-operative Wholesale Society, which co-ordinates the movement's commercial activities, did not differentiate between the turnover of manufacturing and wholesaling.

None of the top 20 companies provided comprehensive details of interest and repayment on bonds and loans. Nor did they give any explanation of the origin or nature of their reserves, or how it was intended to use them.

The author of the article, Mr Kinloch Anderson, suggests that all the information required by the Registrar of Friendly Societies should be disclosed to members, and that the contents of accounts and regulations about auditors should be harmonised with the Companies Act requirements.

Format on gilts will set standard, say actuaries

BY ERIC SHORT

THE NEW format of the FT-Actuaries price indices for gilts would form the standard against which investors could compare portfolio performance, two leading actuaries claimed last night.

Mr. George Dobbie, investment manager of The Scottish Provident Institution, and Mr. David Wilkie, economic research manager of Standard Life Assurance described to the Institute of Actuaries in London how the new indices, which have been published in the Financial Times since May, are constructed.

The indices had been designed so that investors could select their own standard if desired.

They could use the indices allowing for a particular tax rate and a particular mix of short, medium, long and undated gilt stocks. Capital and income performance could be considered separately if desired.

The actuaries' paper also discussed the possible uses of the fixed-interest yield matrix now published in The Financial Times. This provided a daily pattern of the current gilt-edged yield curve and would show how the shape changed with time.

It was expected that the yields would be used in measuring the "yield gap" between the returns on equities and gilts.

The authors thought that the yields would be of particular use to the Government Actuary in determining his tables for buying back pensions from company schemes to the State scheme.

David Frost wins tax appeal

DAVID FROST, the televisi[on] personality, does not owe t[ax] on more than £174,000 of h[is] earnings in America, a Hi[gh] Court judge ruled yesterd[ay].

Mr. Justice Browne-Wilkins[on] said that a Bahamian partne[r]ship Mr. Frost set up in 19[..] was not set up to avoid ta[x]. It was designed to handle M[r]. Frost's increasing earnin[gs] abroad, particularly in t[he] U.S.

The judge dismissed with co[sts] the Inland Revenue's appe[al] over a Tax Commissione[rs'] decision excluding Mr. Fros[t's] foreign earnings between 19[..] and 1972 from income-tax.

The taxman had origina[lly] assessed Mr. Frost, of Edgert[on] Crescent, Chelsea, for tax ov[er] the three years on £174,6[..] but the Commissioners h[ad] reduced that to £27,805, whi[ch] was all money earned [in] Britain.

The judge rejected the Inla[nd] Revenue's claim that [the] partnership could not exist [in] law as only one member w[as] active under the agreement. Mr. Frost received 95 per ce[nt] of the profits of the compa[ny] Leander Productions.

The judge held that the partn[er]ship was legally valid. It w[as] intended to exploit Mr. Fros[t's] talents abroad.

The money under the Baham[ian] partnership was never receiv[ed] by Mr. Frost in this count[ry]. Since the 1974 Finance [Act] was introduced, tax is payal[ble] in Britain on 75 per cent. [of] foreign earnings paid outs[ide] this country.

Shell meets its shareholders

BY NICHOLAS LESLIE

AN EXPERIMENT in communications between a company and the people who own it is to take place to-day in Brighton when Shell U.K. plays host to several hundred of its shareholders at two meetings in the town's conference centre.

The occasion is not an annual meeting, which tends—like most company meetings—to be a formal affair at the company's headquarters, Shell Centre in London. To-day's will be an informal get-together of a kind probably not seen in Britain before.

Mr. Bill Bell, a managing director of Shell U.K., with the aid of a short film, will outline to shareholders what Britain's second largest industrial company is doing in the North Sea.

He will explain the wo[rk] involved in and the signi[fi]cance of Shell's 50:50 sha[re] with Esso in the Brent Fie[ld] and its other projects whi[ch] require an outlay by Shell [of] £1m. a day and a total inve[st]ment in the North Sea by 19[..] of about £2.5bn.

There will be other seni[or] Shell executives ready to pr[o]vide further information a[nd] to answer any questions.

هكذا من الأصل

NICHOLAS COLCHESTER REPORTS ON EVIDENCE TO THE WILSON COMMITTEE FOR THE FINANCING OF INDUSTRY AND TRADE

TUC proposes new £1bn. lending facility

HE WILSON COMMITTEE to-day publishes its second lume of oral and written evidence on the financing of dustry and trade.

The written submissions—already published—of the nfederation of British Industry, the Trades Union Congress d the Association of Independent Businesses are reproduced de-by-side with the transcripts of hearings at which the mmittee discussed this written evidence with its authors.

Here are presented some of the more striking comments hich were made at the three hearings, grouped by theme ther than by interest, to contrast the points of view expressed.

Central to the sections reproduced is the proposal in the itten evidence of the TUC that a new lending facility be ablished ready to invest £1bn. a year in industry and funded lf out of North Sea oil tax revenues and half out of the net low of funds into investing institutions. The TUC's aim is get the institutions more directly involved in manufacturing vestment.

Not enough space is available to do justice to the lengthy discussion of the problems of small businesses—a topic which has loomed large in the evidence presented to this committee so far.

Both the CBI and the Association of Independent* Businesses deal extensively with this problem. Both stress taxation and its effect on the supply of private capital and the will-power of the entrepreneur as major factors. Both add that the volume of time-consuming legislation with which a small *company has to comply is another.

But the CBI and representatives of small companies appear to disagree on the "information gap"—the supposed ignorance of small entrepreneurs of possible sources of finance from institutions. The CBI raises this as a problem: the small *businessmen pooh-pooh it.*

Indeed, the association tends to be against institutional aid to small businesses, advocating a climate where such businesses can stand on their own feet.

It does, however, suggest that bank loan guarantees, along *the lines of those supplied by the Small Business Administration* in the U.S., would be helpful.

UC fund

rofessor A. D. Bain, for the son Committee: *Could I ve on to the particular ria that you suggest [for the posed lending facility]. The is that there should be an quate rate of return in the g run. Mr. Basnett, you said ething about the conserva- m of the institutions in the y-issue market. I am wonder- whether this implies that you nk that the institutions take short-term a view, and if it s what is the evidence for it?*

David Lea, TUC Economic nt: The evidence so far as I concerned is that I have er met in any circumstances group of people, pension funds insurance companies, who e said other than this, that y have to be very conserva- e, they have to worry about s, they have to think of the terests of their policyholders, ich incidentally overwhelm- ly nowadays in the pen- n funds are trade union mbers investing their savings one way or another. The oblem they are faced with, en we talk to them about in- strial strategy they say, "There nothing we can do. We are nstrained by our articles of sociation, etc., in the way we proach this." We are saying at if we could give them a arantee they might be very ppy to participate voluntarily partnership with the Govern- ent in a scheme whereby they uld be a little more adventur- s in this sort of way.

Bain: So the proposition, if I e it right, is that you are ggesting that the Government uld guarantee the rate of re- rn on a certain part of the nds provided by the institu- ons?

Lea: That is right.

Bain: At gilt-edged rates, pre- umably?

Lea: We say that there would ed to be some actuarial con- deration of what would be a asonable minimum guaranteed te given that it was open-ended the top. If the Treasury were tting in £500 million a year d the institutions were putting £500m. a year one cannot say the top of one's head what uld be the guaranteed rate of turn, but something on those es.

Bain: Is there any reason in inciple why the Government ould not simply issue an extra 00 million of gilts and provide e funds themselves?

Lea: No, because this would t in any sense involve the in- tutions in the way in which think there is a need and a sire for them to be involved. deed on the part of the trade ion members' pension funds I nk the proposition would be at if this was spread across industry with this guarantee en-ended at the top this would very different from a gilt- ged market.

Bain: So, from what you are ing it is not only a question getting the funds going the ht place but you have a arate objective, which is in e way to get the institutions olved?

Lea: That is right.

Bain: And that is a separate jective, nothing to do with pro- ling the funds?

Lea: With great respect, as the stitutions are now we say in total equity market of £50bn., ponsible for £25bn. to £30bn., d it will be growing at £3bn. or £4bn. a year. If we are talking about more than half of the equity market being in the institutions and this being savings of people it is surely highly relevant to the total operation of the savings mechanism in our society how we relate that flow of savings to the demands of industry. So I do not see that this is separate in any way from the problem of the industrial strategy.

Bain: Could I ask one final question on this? Can you give us some indication of what sort of calculations would be made in deciding whether an institution should be asked to support a particular project and who would take the decision?

Lea: This is the question of what would be the modus operandi of this new agency. We are not being dogmatic about either its composition or its modus operandi. What we would assume is that the people taking the decisions would be the management team but there would be a policy council, just like on the NEB there is a policy council, and then people who have the responsibility of day-to-day management of the NEB's operations. We put the emphasis on its being a voluntary arrangement in the sense that we would hope that once your committee had introduced the discussion to a wider public, and maybe come up with a firm set of recommendations in the final report, that the institutions would see that this was very much an idea that they ought to participate in and

'Financial institutions should feel a part of activity'

enter into talks about the preparatory committee before the whole thing is got off the ground.

Len Murray, general secretary, TUC, for Wilson Committee: *So you are saying that the financial institutions should be brought into the industrial consensus, they should feel part of this activity, rather than stand aside and mechanically produce the amounts of money in response to certain criteria, that they should be conscious of the whole gamut of things that the industrial strategy is involved in. Is that what you are arguing?*

Lea: Yes, in two senses: in the sense of the contribution they can make and in the sense of the response made to the consensus which is already emerging within industry and because of the consensus which the industrial strategy does represent.

Pension funds

Mr. Gordon Bayley, director, National Provident: The insurance companies and the pension funds have recently published their evidence to this committee, and it enters into a good deal of detail of what their investment objectives are and what the management of their funds is trying to achieve. This evidence which is in front of us is very much at odds with what you were just saying about their short-term view. Could Mr. Basnett elaborate?

David Basnett, general secretary General and Municipal Workers' Union: Our overall argument is simply this, that we are concerned that our manufacturing base over the past few years has not been growing. Pension funds have to look to their overall return, have to look at the cost of acquiring something, which means that they go in for long-term investments. This leads them in many cases to go into property, and one pension fund is investing in paintings, whereas at the same time, as the industrial strategy has identified, there is a rundown of our manufacturing industry from lack of investment. It seems to me that if the situation in this country is being eroded it is in the interests of the pension funds and the financial institutions to help to restore industry and to help to make better wealth creation than they have done in the past. That underlies a large part of our argument.

Sir Harold Wilson: *one of the big domestic changes is the growth of the relative importance of the financial institutions. We have had the upsurge of the insurance companies. I saw some figures the other day of how much they can provide compared with what it was 15 or so years ago. And of course insurance companies have now been passed in the race by the pension funds. The pension funds' first duty is to find the money for the pensioner of next year or ten years or 40 years hence. The fact that in the course of doing it they are also the biggest source of investment capital in the country these days means that they are potentially very great lenders to industry.*

Unfortunately it suits them to invest their money in very large tranches, very large amounts. When I had lunch yesterday with the Coal Board's pension fund they mentioned this. They said they need far more staff to invest in small firms. So where you have pension funds with an overriding responsibility this does change the situation. Again, I would have thought that if you want the pension funds to subscribe to a £1,000 million a year increase in the nation's capital investment in reorganising industry, then almost certainly the Government would guarantee them, so that they know that they are not putting their future pensioners at risk.

Here, if I read your evidence correctly—and this is not something that has been made much of in other evidence—you propose that the pension funds should go on a pay-as-you-go basis?

Mr. Basnett: Yes. That suggestion is made for examination.

Sir Harold: *In a sense this is almost heresy. The pension funds are sitting very pretty. They are so powerful that they do not know how powerful they are. They could very well be, for example, transforming the nature of our society more than any government would ever dare to do even if it had a large majority in Parliament. I found the Coal Board pension fund extending nationalisation quite considerably with nobody to argue about it as far as I can see. I wonder whether one of the things we must investigate is the complete change, not in our terms of reference but in the ambience of examining the role of the pension funds. This is something, as you have said, that is an important question requiring investigation perhaps when we have further evidence.*

Mr. Basnett: Yes, Sir Harold. I am quite sure that I could not have put the situation better myself. The growth of the pension funds is most central to this. I think we used the phrase that we prefer to see new machinery instead of empty office blocks.

Mr. Harry Urwin, TUC: Or leave some of the perfectly good shopping centres and stop knocking them down and putting others up: there always seems to be plenty of money around for that.

The banks

Sir Harold: *Would you say, Sir Arthur, something on the relations between industry and lending institutions, and the relations between industry and sources of equity capital.*

Sir Arthur Knight, chairman Courtaulds, for CBI: Certainly In relations between industry and the lenders one thinks firstly of commercial banks, and I suppose I have to admit that as a result of having been involved in this for six months or so, the extent to which industry is not only satisfied with, but is complimentary about, its relations, came as something of a surprise. But it was overwhelming; and it came through in all sorts of ways. There is an exception, which we will come to in dealing with small firms.

But in relation to the large, as I say, there is great satisfaction. There is a recognition that in the last 10 or 12 years the arrival in London of the American banks has provided a competitive spur to which the commercial banks here have responded. Most of us who have been involved in large-scale operations with the banks have welcomed the arrival here of these foreign banks, and commercial banks have modified themselves in some ways: perhaps that increase in medium-term lending has something to do with the arrival of the Americans.

The other big factor, of course, is the long-term lending which in the past most of us have engaged in, and where we look to the institutions, and particularly the insurance companies, as buyers of our long-term securities. This market has disappeared because of the extraordinarily high rates of interest which we have had.

Mr. Leif Mills, general secretary, National Union of Bank Employees, for Wilson Committee: *Could the TUC give an indication of where the NEB has intervened in cases where the market has failed to provide appropriate funds?*

Basnett: One can name companies. Sinclair Electronics have developed a very small television set which could not get money on the money market. It has been lent money and it is developing. But the major area where the NEB wants to act is in support of the industrial strategy. If you look at every upturn in industry that there has been since the war, on each occasion it is exactly the same industries that have caused the bottlenecks, and nothing has been done. The only way we can see it being done is through an institution like the NEB.

Productivity

Sir Arthur Knight, for the CBI: The biggest single factor applying to the British situation, as we see it, is the productivity of labour. The productivity at the workplace compares unfavourably with that elsewhere. From all the consultations that we have had—and we have had masses of consultations within the CBI in

SIR HAROLD WILSON
"Would they lick chops?"

preparing this evidence—from all of these, this one theme comes through: the problems that managers have in getting the labour productivity which they know should be possible: and, side by side with this, the problems they often have in getting the results from the investments which they have made, which they had expected and feel they should be able to achieve.

Urwin: If you say that in a given British factory there are more men and women working than in another factory, let us say of one of our competitor nations, that may well be true, but if you brought precisely the same equipment from the competitor nation into the British factory then this would change.

Can I say this: I have tramped many miles in German factories and talked to the people and so on, and the first time I went into a German car factory I stood up on the gantry with the production manager and it looked to be going efficiently. Everybody seemed to be moving, and I said, "Everybody is at the double in this factory." He said "You pick any one individual out and look at him and see him or her working and see if they are working over-hard," and nobody was. People were properly organised. Methods were right. Management was right. People were riding round on bicycles in the factory. If you tried to ride round a British factory on a bicycle the tyres would be cut to pieces before you got ten yards. These were the differences. You cannot just put people into factories in that sort of condition and expect them to respond in that way but there are plenty of examples we can show you where the British reaction is as good as anyone else's.

Lack of demand

Sir Harold: *I think what we have to do is to establish the demand and then see how it can be met, as I say, with a Government guarantee of the new strategy expenditure, in the same way as they guaranteed a certain amount of money to the NEB. In 1963 I was dealing with an argument about technology when the then Government had said, "We have all the technologists we need." I said, "of course you have all the technologists you need if you do not order any technologists. We have as many bullfighters as we need." Is that not the argument we are having to-day? The institutions are perfectly right in saying, "We have not seen any problems that we cannot meet. The money is there once the demand becomes articulate in terms of the individual firms or in terms of the spending authority that will then pass the money on to the individual projects, and when that happens we will be ready."*

Is it not a fact that if somebody—for example, the Government or the members of the CBI—said that this is the industrial stategy, then the bankers around this table and their colleagues would be sitting there with open arms waiting for it licking their chops and generally looking forward to a situation where somebody was really going to borrow the money with the necessary security?

Is the TUC case not really a two-stage process—first, that there should be a new industrial strategy, that there should be an investment programme increased by £1,000 million a year in the 1980s, and that requires a clear decision that there should be a strategy first, but that they are suggesting that since there is not such a strategy operating or in prospect institutions are at fault for not financing it? Do we not have to create the demand first before we see how the demand can be met by the financial institutions, be they the main City institutions, the banks, and so on, or be they the insurance companies, pension funds, and the rest? If this is so, is it not the case that the decision on industrial strategy which you are urging on the committee is really a decision for government?

'We are concerned that our manufacturing base has not been growing'

In other words, is not the whole argument that it is not the financial institutions who are failing to adopt the industrial strategy, but that the industrial strategy has not been accepted, whether by government or by anyone else concerned, or by industry, to ensure that the demand is there, and then to ask the institutions how they would propose to meet it as a second stage? Is that not the real issue?

If the banks say, "We would not meet it if the Government approached us," then they are perhaps putting themselves at risk of serious criticism by the committee. But as I understand it the banks have not said, "We will not meet it," they have just said, "We cannot initiate it."

OTTO WOLFF AG

COLOGNE/GERMANY

The Otto Wolff Group in 1976

Iron and Steel● Machinery and Equipment● Engineering, Construction● Technical know-how

	Gross Turnover (DM m.) 1976	1975	Personnel 31.12.76	Holding %
Otto Wolff AG, Cologne	1,389	1,180	398	—
Trade				
Otto Wolff Handelsgesellschaft mbH, Cologne (including subsidiaries)	986	890	1,145	100
Otto Wolff Industrie-Anlagen Gesellschaft mbH, Cologne	62	100	55	100
EBG Elektroblech Gesellschaft mbH, Bochum	306	285	22	50
Ferrum GmbH, Saarbrücken	258	216	155	100
Ferromontane S.A., Paris (Group)	47	49	156	over 75
Hommel Handel GmbH, Cologne	91	69	380	100
Ferromontan Beteiligungsges. mbH, Vienna (Group)	36	33	166	100
	1,786	1,642	2,079	
Processing				
Eisenwerk Weserhütte AG, Bad Oeynhausen	139	121	1,463	over 75
Maschinen-und Bohrgeräte-Fabrik Alfred Wirth & Co. KG, Erkelenz	103	81	946	100
Hommelwerke GmbH, Mannheim	9	17	193	100
Otto Wolff-Homburger Bau GmbH, Neunkirchen (Saar)	125	126	906	50
Vereinigte Schraubenwerke GmbH, Essen-Steele	46	46	516	50
	422	391	4,024	
Basic Materials Industry				
Eisen-und Hüttenwerke AG, Cologne			5	over 75
Neunkircher Eisenwerk AG, Neunkirchen (Saar)	728	680	8,274	50
Rasselstein AG, Neuwied/Rhine	1,110	1,034	3,664	50
Stahlwerke Bochum AG, Bochum	545	478	3,073	48.5
	2,383	2,192	15,016	

Consolidated turnover (Otto Wolff AG and 100% or majority holdings without abroad) 1976 DMm. 2,988 (1975 DMm. 2,637)

Subsidiaries and Affiliated Companies Abroad

Bruhn y Otto Wolff Ltda.	Santiago de Chile
EGLO Engineering (Services) Ltd.	Lidcombe/Sydney
Ferromontan Beteiligungsgesellschaft m.b.H.	Wien
Ferromontan Inc.	San Juan/Puerto Rico
Ferromontane S.A.	Paris
Ferromontan S.r.l.	Mailand
Imblech AG	Würenlos/Switzerland
Simonot-Bourguignonne de Métallurgie SIBOM S.A.	Dijon
S.A. Orne-Metaux	Trémery (Moselle)
S.A. Otto Wolff (Benelux) N.V.	Brussels
Weserhütte Equipamentos Industriais Ltd.	Rio de Janeiro
Weserhütte (S.A.) (Pty.) Ltd.	Johannesburg
Weserhütte S.A.	Madrid
Weserhütte Otto Wolff (Pty.) Ltd.	Sydney
Wirth Latina S.A.	Sao Carlos/Brasil
Otto Wolff America Inc, Chicago	Chicago
Otto Wolff America Inc.	Houston/Texas San Francisco and Los Angeles
Otto Wolff Automotive Ltd.	Hong Kong
Otto Wolff do Brasil Ltda.	Rio de Janeiro and Sao Paulo
Otto Wolff Iran Trading Company Inc.	Tehran
Otto Wolff (Nigeria) & Co. Ltd.	Lagos
Otto Wolff de Venezuela C.A.	Caracas

Delegates Overseas

Argentina	Buenos Aires
Chile	Santiago de Chile
Colombia	Bogotá
Egypt	Cairo
Iran	Teheran
Kenya	Nairobi
Thailand	Bangkok
USSR	Moscow

Unlike the general economic development, 1976 was yet another year with heavy losses for the German steel industry after 1975 had generally been the weakest of all post-war years, which produced *the slogan of the 'crisis within the crisis.' Although steel business is* one of the main activities of the **Otto Wolff Group**, sales increased again in 1976 and as a whole the year closed with a satisfactory result: consequently **Otto Wolff AG** were in a position to increase their dividend from 6% to 7%.

This improvement, to which **Otto Wolff Handelsgesellschaft mbH** contributed again in 1976, has its basis in the well-balanced structure of the group. The coexistence of different business activities enabled the group as a whole to balance and absorb negative influences which occurred in individual branches. Consolidated external sales of the **Otto Wolff Group** went up from DM 2,600 to DM 3,000 m.

Otto Wolff AG which serve as the sales organisation for the sheet and tinplate production of **Rasselstein AG, Neuwied,** and **Stahlwerke Bochum AG,** raised their sales by 17.7% to DM 1,389 m.

Cold-rolled sheet, which had suffered most from the worldwide decline in demand in the previous year, held its ground as the best product in the standard steel field during the year under report. Total sales rose by 33% to DM 601 m. with exports up only 10.8% whereas domestic business was increased by 48.5%.

Sales of tinplate were also higher again than in the year before. While export sales remained at their previous level, the domestic figure rose by 17% to DM 420 m, the total increase thus being 8.4% up to DM 788 m.

The second important product of Stahlwerke Bochum, **electrical sheet,** which is distributed through **EBG—Elektroblech Gesellschaft mbH, Bochum** — took a generally favourable course again after the recession of the year before. Sales went up 5% to DM 306 m. The production of hot rolled electrical sheet at **Stahlwerke Bochum AG** ceased in late March, 1977 as scheduled. Intensive research and development work had made it possible to produce those high-grade sheet qualities by the cold rolling process which previously could only be manufactured hot rolled.

Otto Wolff AG were able to expand their trading activities **abroad,** especially in the USA, and to include non-ferrous products into their sales programme. In Iran a new trading organisation, **Otto Wolff Iran Trading Company Inc., Tehran,** was founded together with an Iranian partner. This company is scheduled to develop new activities in addition to the sales of tinplate which presently is the major line of business.

Otto Wolff Handelsgesellschaft mbH, Cologne, which mainly deal as distributors of rolled steel products from mills outside the Otto Wolff Group, were able to increase their sales to DM 904 m from DM 814 m in 1975, when a sharp cut had occurred.

As compared to the total volume of sales, it was again the **domestic business** which had a higher growth than the export trade. *Cold rolled sheet was the main basis of this development. In the* product lines other than steel, plastic products expanded further and insulating material was added to the product range.

Export sales of Otto Wolff Handelsgesellschaft increased by 7%. This was mainly due to an expansion of the trade in special products (such as cold rolled strip, wire, non-ferrous products) as well as to the high demand from the oil-producing and Comecon Countries. On the other hand the standard steel business in Europe and most third countries was disappointing.

Satisfactory results of the **German subsidiaries of Otto Wolff Handelsgesellschaft** were again made possible in 1976 by continued expansion of their sales programmes. The foreign affiliates showed an overall profit as well.

In view of a cautious assessment of the auspices of 1977 the **Handelsgesellschaft** strengthened their efforts in 1976 to concentrate their activities geographically into larger units and to streamline their product-mix.

Ferrum GmbH of Saarbrücken, a trading company dealing in scrap, pig iron, rolled steel products, pipes, non-ferrous metals and fuels, continued to re-structure their sales programme and were able to increase sales by 19.1% to DM 257.8 m. Again overall results were positive. The same applied to the French participations, Ferromontane S.A. in Paris and SIBOM S.A. in Dijon.

Hommel Handel GmbH, Cologne, distributors of machine and hand tools, in 1976 celebrated their 100th anniversary. Sales went up by 31.5% to DM 91 m. This increase being far beyond branch average was equally achieved by tool and machinery business. Operating results were positive.

Otto Wolff Industrie-Anlagen Gesellschaft mbH, Cologne, are suppliers of industrial production equipment for various sectors of industry. Most of their sales are made to developing countries and are financed on a long-term basis from the group's own resources. Due to accounting technicalities sales fell from DM 100 m to DM 62 m in the business year 1976. Sales in 1977 are expected to be at least 70% higher. Good results were achieved again in the year under report.

Among the foreign operations of Otto Wolff Industrie-Anlagen the **Moscow Office** as well as the affiliated companies **Otto Wolff-Automotive Ltd., Hong Kong, Otto Wolff do Brasil, Lida., Rio de Janeiro and São Paulo,** and **Otto Wolff de Venezuela C.A., Caracas,** were particularly successful. A new base was established in **Santiago de Chile** by the takeover of an existing company now operating as **Bruhn y Otto Wolff Ltda.**

The overall development of the **Ferromontan Group of Vienna** representing the Austrian interests of Otto Wolff, in 1976 was marked by positive impulses in steel trade and fabricating experienced in the second half of the year. Because the economy continued to be sluggish in Austria, increased emphasis was placed on export *activities, which developed satisfactorily. The diversification process* started in previous years was continued in the field of sports goods. The group's sales in 1976 rose by 10% to (A.S.) 253 m (DM 35.6 m).

Although the development was not quite satisfactory in terms of orders received, the business year 1976 brought an increase in sales of 14.5% to DM 138.7 m for **Eisenwerk Weserhütte AG, Bad Oeynhausen.** While excavator sales declined, business was very brisk especially in plant engineering and in the field of hard crushing, so that the overall annual result was better than that of the year before. Positive results were also achieved again by the affiliates and participations in Australia and South Africa in 1976. After the Spanish affiliate, **Weserhütte S.A., Madrid,** was set up in 1975, **Weserhütte Equipamentos Industriais Ltda.** was founded in **Rio de Janeiro/Brazil** this year, and preparations were made for setting up own companies in North America.

Largely and constantly working to capacity, **Maschinen-und Bohrgeräte-Fabrik Alfred Wirth & Co. KG, Erkelenz,** went beyond the DM 100 m sales mark for the first time in 1976 (as against DM 81 m in the previous year), with a good operating profit. Here, all programme areas showed an increased demand for special-purpose machine construction. Tube tooling machinery, tunnel drilling and large pile drilling equipment as well as screw fastening devices for nuclear power stations have opened up new markets for Wirth.

Sales of **Hommelwerke GmbH, Villingen-Schwenningen** — manufacturers of high-quality electronic measuring and surface analysing equipment — reached DM 8.8 m as planned in view of the restructuring operations in progress. In spite of investment activities remaining at a low level results in 1977 are expected to improve from their present negative range.

Otto Wolff-Homburger Bau GmbH of Neunkirchen/Saar, in which the previous steel construction activities of Otto Wolff AG and Neunkircher Eisenwerk AG are combined, continued to integrate and consolidate their manufacturing capacities. Due to orders on hand sales remained at the 1975 level of DM 125 m.

Vereinigte Schraubenwerke GmbH of Essen-Steele, in which Otto Wolff AG hold a 50% share, installed a new automatic production line for railway sleeper screws, thus continuing their endeavours to improve competitiveness. Contrary to forecasts sales reached only the previous year's volume of DM 46 m.

The full impact of the recession year 1975 reached **Eisen-und Hüttenwerke AG, Cologne,** the Group's holding company for their steel production operations, only in 1976. As **Neunkircher Eisenwerk AG,** one of the major participations, are still working at a loss and failed to pay a dividend in 1976, Eisen- und Hüttenwerke AG have reduced their 1976 dividend from *foregoing 10% level to 7%.*

Although there is still no cause for optimism in the steel industry and there are no signs of a lasting recovery of demand, due to their well-balanced structure the **OTTO WOLFF GROUP** should be able to achieve a satisfactory result in 1977, too.

Condensed Balance Sheet at December 31, 1976

	Otto Wolff AG DM'000	Consolidated Group DM'000
ASSETS		
Fixed Assets	8,619	66,088
Financial Assets	198,745	159,037
Stock	7,003	244,535
Debtors	229,584	629,200
Debtors-Affiliated Companies	134,727	12,814
Liquid Assets	17,728	37,399
Other assets	29,967	57,677
	626,373	1,206,750
LIABILITIES		
Share Capital and Reserves	175,000	239,768
Middle and Long Term Liabilities	38,250	241,973
Other Bank Debts	69,797	103,784
Acceptance Liabilities	65,000	82,516
Trade Creditors	217,392	318,654
Creditors—Affiliated Companies	23,290	2,743
Other Liabilities	28,990	199,717
Net Profit	8,654	17,595
	626,373	1,206,750

Otto Wolff AG, Zeughausstrasse 2, D 5 Cologne 1
Tel. 221-20411. Telex 08 881 474. Telegrams OWEX Cologne

LABOUR NEWS

Firemen's officers may join strike

BY OUR LABOUR STAFF

As the executive of the Fire Brigades Union decided yesterday to see if a meeting with the Prime Minister could provide any sign of a solution to the firemen's dispute, the fire death toll during the 15-day strike rose—with five deaths yesterday—to more than 30.

Amid growing reports that fire officers, who are crucial to the troops' fire-fighting efforts, were joining the strike, officers in Strathclyde are planning an emergency meeting this week to consider whether or not to stop work.

Officials of the Strathclyde branch of the Fire Brigades Union said yesterday that there was an increasing feeling among officers that their assistance to troops was prolonging the strike, and that had not been their original intention.

Mr. Richard Knowlton, the area's firemaster, said however, that at the end of last week there had been no resistance from the officers to continuing their work with the troops.

More than half of the 160 part-time firemen in the county of Avon appear to be on the point of resigning from the FBU and joining the Retained Fire Fighters Union whose members are not supporting the strike.

FBU officials admit that there has been a union split in the county but say it will have no general effect on the solidarity of the strike.

Production at the Port Meirion pottery works, Stoke-on-Trent, was at a standstill yesterday after fire swept through the *three-storey factory. No one was* injured but two kilns were destroyed and home and export orders will be affected.

Police have stepped up their investigations after the tenth case of suspected arson at London's Middlesex Hospital in the past two weeks.

A move to stop about 200 miners in Nottinghamshire continuing their work as part-time firemen failed at yesterday's meeting of the Nottinghamshire NUM area council.

Express newsmen accept pay deal

DAILY EXPRESS journalists voted overwhelmingly yesterday to accept a pay deal which gives them a total of 20.16 per cent.

The offer from Beaverbrook management was an all-round £4 Phase Two increase plus an average 17 per cent. in exchange for flexibility and reductions in manning.

The journalists agreed to abolition of paid overtime and other restrictions, and have accepted a 10 per cent. reduction in manning to be achieved mainly by "natural wastage."

Mr. Victor Matthews, chairman of Beaverbrook, said that the 17 per cent. pay deal was "self-financing." He believed it would be possible to run the *Daily Express* with 20 per cent. fewer journalists than at present, but: "I am quite happy with the 10 per cent. reduction we have achieved."

The present staff is 590 journalists in London, Manchester and Glasgow, although chapel officials believe there is some doubt about the number actually on the payroll.

Voting for the deal yesterday was by ballot. The count was 263 for, 18 against.

● Talks aimed at ending the 22-week old strike by Westminster Press journalists in support of a closed shop at Darlington were held yesterday.

Proposals to form the basis of a return to work were discussed between Westminster Press management and officials from the National Union of Journalists as well as National Graphical Association and the process workers (SLADE), the two unions with members still out on strike in support of the journalists.

Fleet Street proprietors, meanwhile, met print unions who have lodged a joint claim from October which the Newspaper Publishers Association estimates to be worth about 35 per cent.

Union leader urges flour price freeze

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE LEADER of the bread deliverymen's union yesterday called for a freeze on flour prices until the big baking groups had reduced their profits on flour to "more acceptable levels."

Mr. Jackson Moore, general secretary of the United Road Transport Union, which last winter disrupted bread supplies in protest at the Government's decision to lift the statutory ceiling on trade discounts, repeated his call for introduction of a minimum price on bread.

He also urged the Government to give the Price Commission real powers.

The Price Commission was at present only a "sham," Mr. Moore said. He claimed it had given the three major bakers—Rank Hovis McDougall, Spillers French and Associated British Foods—the go-ahead for a 2p a loaf increase last week without "even listening to the other side of the case."

Mr. Moore, who is to meet Mr. Charles Williams, chairman of the Price Commission, next week, said the Government accepted that these same big baking groups made "too much money" out of their milling activities.

At the same time, the bakers were giving away their profits by increasing the size of the discounts they gave to their retail customers.

Last February, none of the bakers was giving discounts of more than 22½ per cent. Now, some customers were getting almost 40 per cent.

The problem was that the big three bread companies realised that they had "been taken for a ride by the supermarkets playing one baker off against the next."

New peace bid at Eaton Axles

BY OUR LABOUR STAFF

TALKS were held yesterday between Eaton Axles management and union officials in a bid to end the four-month dispute involving production workers at the Durham factory.

The dispute has halted axle production at the plant which supplies about a third of the axles used by small and medium commercial vehicle manufacturers.

Eaton Axles says the effects for customers will worsen progressively in spite of the existence of some alternative sources of supply.

Yesterday's discussions involved national and local officials of the Amalgamated Union of Engineering Workers to which the men belong but although further talks are expected the company is not optimistic about an early settlement.

The dispute is unofficial and the 950 workers in dispute rejected one formula for a return to work earlier this month.

The dispute arose over when consolidation of bonus and other payments should start.

The men began a work to rule and policy of non-co-operation in July which the company says led to a 50 per cent. drop in production. At the end of September the men were locked out.

Leyland package in trouble

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

LEYLAND CARS' package of bargaining reforms for the company's 20,000 white-collar workers has run into trouble. Opposition to the deal proved more widespread than expected when staff representatives met in Birmingham yesterday.

The meeting was boycotted by delegates from the Association of Professional, Executive, Clerical and Computer Staffs (APEX). They are in favour of the reforms but were protesting at the attitude of the white-collar section of the Transport and General Workers Union—which has refused to support the package in its present form.

This development represents a setback to Leyland's hopes. Management had assumed all *along that its proposed reforms* would get a fairly easy passage from the staff unions.

The Transport Workers' section has taken the line that it is not necessarily opposed to reform or the move towards centralised bargaining. But it is not convinced that the present package offers the path to improved industrial relations.

The company is proposing to streamline the pay and bargaining structure to achieve comparability of wages between plants by November 1979.

The outcome of the meeting was inconclusive. No vote was taken and each of the four unions will now consider its position.

Marketing staff cuts 'hit National Savings'

BY DAVID CHURCHILL

THE WORK of the National Savings movement is being severely restricted because of the Government's cut in marketing staff, it was claimed yesterday.

The Society of Civil and Public Servants, which represents staff in the Department of National Savings, is to meet Mr. Denzil Davies, Treasury Minister, early next month to press for a new promotion force.

About 600 staff have been transferred from promoting National Savings over the past year as a result of the Government's attempts to reduce Civil Service manpower costs.

The result, says Mr. Bernard Studd, the union's assistant secretary, has been "competitors, in the shape of trustee savings banks and building societies, moving in rapidly to pick up the accounts which National Savings can no longer service."

Miners urged to reconsider bonus plan

By Our Labour Staff

LEADERS OF Nottinghamshire's 34,000 miners decided yesterday at their area council meeting to ask Britain's 260,000 pit men to think again about introduction of an incentive scheme. The idea was turned down last month in a national ballot.

But, Nottinghamshire Miners' Council yesterday passed a resolution by 23 votes to 10 "that *the permission of the national* executive committee be sought for any NUM area which so wishes to negotiate its own area incentive scheme for the benefit of all members."

Leicester and south Derbyshire miners have asked the coal board to introduce a productivity scheme, but Mr. Len Clarke, president of Nottinghamshire NUM, said: "We have not gone as far as that. We decided to stick to the rules and put our request to the national executive. The idea may have been turned down nationally but we feel that some areas may still wish to go ahead with it now."

Raleigh men to stay out

BY OUR MIDLANDS CORRESPONDENT

PRODUCTION LOSSES at T. I. Raleigh, Nottingham, will reach £1m. to-day. Shop stewards decided to prolong the nine-day pay strike indefinitely. No meeting is planned until Monday.

In addition to lost Christmas sales of bicycles, components and toys, lack of vehicle seat frames from T. I. Cox, a subsidiary, is beginning to affect the motor industry. About two-thirds of T. I. Raleigh's £100m.-a-year external sales are for export.

Production of Princesses and Marinas at Cowley, Oxford, is hampered, and Chrysler is likely to be affected by the end of the week on Sunbeams and Avengers made at Linwood, Scotland.

Five unions seek a two-part rise of £27 a week to bring their earnings, including overtime, up to the national average, plus a 10 per cent. Phase Two increase.

Management has offered the 10 per cent. and discussion of a self-financing productivity deal.

Vital Post Office talks to-day

BY JOHN LLOYD, INDUSTRIAL STAFF

A MEETING to-day of the Post Office unions will be crucial in *determining whether or not the* proposed scheme for worker representation on the Post Office Board will come in on schedule next January 1.

Negotiations on how the seven seats earmarked for worker-directors are to be shared among the eight unions involved have been held up for some months by the problems of which unions get how many seats.

The two largest unions—the Union of Post Office Workers *and the Post Office Engineering* Union—are claiming two seats each, and have already elected their Board members.

The Civil and Public Services Association, the largest clerical union, has claimed one, leaving only two for the five management unions.

While it is hoped that the impasse will be overcome by adopting a "constituency" solution for the management unions—whereby the seat-holder from one union represents the interests of two—the problem is complicated by being repeated at regional and area level.

Here, worker-director boards are also to be set up. The issues affecting these Boards are at present proving more complex than those affecting the national Board.

حكرامن الأحمل

You just can't get more value onto a page.

It's surprising how much money people are prepared to pay for frills and fancies on a car, and bewildering how they go on paying to keep such expensive machinery on the road.

Morris build 10 Marina saloons and 2 estates for people who want to run a totally satisfying car that isn't a financial liability.

Because it's a Morris, there's nothing irrelevant about the Marina. No gimmicks, just solid value. Everything in a Marina does its job well: from engine to ashtray, the Marina is a car that's been tried, proved and perfected.

Because it's a Morris, you're not spending money on styling fads that fade overnight: you're buying clean and classic looks that last. The spares you may have to buy don't come from the ends of the earth so they don't cost you the earth.

Because it's a Morris, there are no marathon trips to find a garage that understands a Marina inside-out. It's one of the easiest cars to service and maintain, which takes a lot of the sting out of today's servicing costs. It uses petrol as if every drop counted; in the 1977 Total Economy Drive, the Marina 1·8 achieved an average 40·69 mpg.

There are many reasons why the Marina gives such good value. Or perhaps just one – because it's a Morris.

Morris Marina

From Leyland Cars. With Supercover.

Car featured Marina 1·8 HL 4-door £3314.61. Marina prices from £2380.95 including car tax, VAT and front seat belts. Delivery and number plates extra.

PARLIAMENT and POLITICS

Steel investment goes ahead, says Varley

BY IVOR OWEN, PARLIAMENTARY STAFF

A FREEZE on investment next year by the British Steel Corporation, currently losing money at the rate of £500m. a year, was ruled out by Mr. Eric Varley, Industry Secretary, in the Commons yesterday.

"There is no question of stopping the BSC investment programme," he insisted, replying to anxious questions from both sides of the House about the action to be taken to deal with the Corporation's financial crisis.

Mr. Varley acknowledged the need for urgency in tackling the serious problems confronting the industry. Giving the assurance that there would be investment by BSC next year, he stressed that the level had still to be decided.

Tory MPs roared their approval when Sir Keith Joseph, shadow Industry Secretary, challenged the Minister to say whether any other national steel industry had lost as great a share of its domestic market as BSC.

Sir Keith argued that nationalisation had made the situation worse than it might otherwise have been.

He also warned that however much taxpayers' money was spent on saving jobs in British Steel, an equal number of people would almost certainly be thrown out of employment in other jobs elsewhere in the country as a result of the extra taxation imposed.

Mr. Varley reminded the Opposition benches that BSC had done extremely well with exports over the last few years and that Britain was still a net exporter of steel.

"What we have got to do is to make sure that BSC becomes profitable and does secure the jobs of the majority of people who work in that industry," he said.

Mr. Robin Hodgson (C., Walsall N.) asked if the Minister accepted that if BSC was to get its staffing levels into line with its major competitors, it would have to shed between 40,000 and 60,000 jobs.

A major improvement in productivity was also required to reduce the level of operating losses which, together with capital expenditure, now accounted for 20 per cent. of the public sector borrowing requirement, the Tory MP added.

Mr. Varley answered that these questions were among the matters under urgent discussion with BSC and the TUC Steel Industry Committee, which he would be meeting again to-day.

Pressed by Mr. Michael Marshall (C., Arundel) to set himself a deadline for taking the "crucial decisions" involved, Mr. Varley underlined the urgency of the discussions which were being undertaken. "I don't intend to go further than that to-day," he said.

Replying to Mr. Norman Lamont, one of the Opposition's front-bench industry team, Mr. Varley re-affirmed that the Government's objective was to make sure that Britain had a substantial, profitable and expanding steel industry.

"It is unthinkable, as some people suggest—I think on the Conservative benches—that we can opt out of this major and pre-eminently manufacturing industry."

Mr. Tim Renton (C., Mid-Sussex) protested that the Government's intentions with regard to the future of BSC were the subject of a "conspiracy of silence" so far as the provision of information to the House of Commons was concerned.

Mr. Varley, who will be questioned by the Nationalised Industries Select Committee, which is investigating the steel industry on Thursday, assured MPs that he would not underestimate the need to keep them informed.

Callaghan backs PR Euro-vote in bid to help pact partner

BY RICHARD EVANS, LOBBY EDITOR

THE PRIME MINISTER, in an effort to support Mr. David Steel's position on the Lib-Lab pact, yesterday put his personal influence behind the Government's recommendation for a regional list system of proportional representation in the forthcoming direct elections to the European Parliament.

Mr. Callaghan told a special joint meeting of the Cabinet and Labour's national executive committee, called to discuss party tactics on the Common Market, that he intended to vote for PR. But he made no attempt to apply pressure on anti-Marketeers, who once more showed how deep party divisions are over membership of the Community.

The Prime Minister's purpose in stating his intentions, in advance of the Commons vote next month on the method of election, was to give support to Mr. Steel, who is under increasing pressure from many party activists to break off the pact should the regional list system be rejected on Labour votes.

Mr. Steel met Mr. Callaghan for 50 minutes at the Commons yesterday in the latest in a series of meetings about the pact, but there was no indication that the Prime Minister was able to harden up his promise to use his best endeavours over the PR system.

In practice the Premier has little control over Labour MPs on this issue. As there will be a free vote, it is likely that any attempt to co-erce Labour backbenchers would be counter-productive.

If fewer Labour MPs vote for PR than oppose it, as is quite probable, there is every prospect that a special Liberal Assembly will be called to discuss the future of the pact. Mr. Steel could then find himself in an extremely uncomfortable position within his party.

Mr. Callaghan went as far as he dare to give support to the Liberal leader at the joint Cabinet-NEC meeting when he sharply reminded his party critics that had it not been for the Lib-Lab pact, they might not have been sitting round the table.

What had been organised as a meeting to discuss the whole issue of Common Market strategy following the Prime Minister's proposals for radical reforms degenerated into an untidy squabble over direct elections.

Three of the Premier's sternest critics, Mr. Ian Mikardo, Mrs. Barbara Castle and Miss Joan Maynard, all demanded that the European Assembly Bill should be withdrawn as it was contrary to party policy. But Mr. Callaghan, backed by Mr. Michael Foot, insisted that it would go ahead.

Mr. Callaghan stressed that he would not be a party to breaking Britain's word on an international commitment.

The Prime Minister proposed that a joint committee should be set up by the Cabinet and the NEC, and this will be discussed at the next meeting of the executive in mid-December. The purpose of the working group will be to monitor the proposals for EEC reform and to ensure that the momentum is maintained.

Mr. Callaghan recommended that rather than produce a long shopping list of reforms, it would be more sensible to proceed slowly over a number of years. He appeared to place most emphasis on reform of agricultural policies.

Once the crucial vote on the method of election to the European Parliament has been decided, probably in the week after next, the Government intends to introduce a guillotine motion time-tabling discussion on the Bill.

It appeared from a private meeting of the Conservative party's European affairs and home affairs committees last night that the Tories will allow a free vote on the guillotine.

This was disclosed to MPs by Mr. William Whitelaw, the deputy leader, although he stressed that the decision has yet to be taken by the shadow Cabinet.

A free vote on the Tory side would put Ministers in some difficulty as they would not be able to rely on Conservative votes as they did on the second reading of the Bill. On a free vote, the Tories would be likely to split three ways.

Foot plans more control over EEC legislation

BY JOHN HUNT

THE GOVERNMENT hopes to bring forward proposals this session to give British MPs at Westminster greater control over Common Market legislation, Mr. Michael Foot, Leader of the Commons, said last night.

In particular, he said, he would like to see a new system which would allow MPs to decide by vote whether or not a particular EEC proposal should be adopted.

He also indicated that it was desirable to have greater Parliamentary control over the line taken by Ministers during Community negotiations.

This would compare with the present much-criticised arrangements under which MPs can only "take note" of EEC legislation and directives which are passed on to them for further consideration by the Commons Scrutiny Committee.

Mr. Foot recalled that in his declaration of August 4, 1976, the Prime Minister had ruled that a loophole must be left so that Ministers could have a free hand in deciding matters of great importance during EEC negotiations, even though Parliament had not debated them.

System

Now, said Mr. Foot, this recommendation should be examined afresh. In fact, he would carry the matter considerably further and say that proposals being discussed at Brussels by British MPs should not only be the subject of Parliamentary debate, but of Parliamentary approval as well.

"I don't know the conclusion we shall reach," he said: "But I certainly think we should look at it and see whether it is possible."

He went on to indicate that the Government was considering a system of Parliamentary control similar to that used in Denmark.

Earlier, Sir John Eden (C., Bournemouth W), chairman of the Scrutiny Committee, had explained that Danish MPs can issue a mandate directing Ministers on the line they should take in Community negotiations.

Sir John advised against the system, but Mr. Foot told the House: "That is part of the examination the Government is conducting.

"We will give more detailed examination to the Danish system and see whether it can be adapted to suit our own methods. I certainly would not exclude moving much further in that direction than we have so far gone."

Mr. Foot was speaking on a motion from Mr. Nigel Spearing (Lab., Newham S), a prominent anti-Marketeer. It declared that no British Minister should give agreement to a proposal in the Council of Ministers until the House had debated it. The motion called for greater Parliamentary control of EEC legislation and full accountability by Ministers for their actions in the Council of Ministers.

The anti-Marketeers did not, however, force the motion to a vote.

Mr. Foot told the House: "I believe that it is of major importance to make a fresh effort to see whether we can get a better arrangement between procedures of the House and procedures of the Market."

The Leader of the House explained that he hoped to bring forward proposals for improved scrutiny procedures this session as part of the EEC package outlined in Mr. Callaghan's letter to Labour's NEC on the eve of the party conference in October.

He promised that if the Government was unable to bring forward such a package, he would try to put down a motion in the House worded similar to Mr. Spearing's.

Mr. Foot was more cautious, however, on a suggestion from Sir John Eden that a new and more powerful "watchdog committee" of MPs might be set up to consider a wide range of Common Market matters.

Although he agreed that it was a possible way to proceed, he emphasised that what really mattered was the relationship between the committee and the House of Commons.

From the Opposition front bench Sir David Renton said it was time to let the EEC know ways they could improve their procedures, to enable the Commons and other Parliaments to do their work of scrutiny and influence.

When harmonisation of legislation was based on highly developed, restrictive and mandatory laws, it would be better to have a simple law, or no law at all.

Elections plea to employers

EMPLOYERS WERE urged to co-operate in encouraging greater participation in trade union elections by Mr. Barney Hayhoe, a Conservative spokesman on employment, in the Commons last night.

When trade union elections were conducted in or near places of work, he said, employers should give their workers "reasonable time off" to enable them to vote.

Leyland share of sales 'serious'—Minister

BY IVOR OWEN, PARLIAMENTARY STAFF

BRITISH LEYLAND'S share of the car market was described as "extremely serious" by Mr. Eric Varley, Industry Secretary, in the Commons yesterday, before his meeting with Mr. Michael Edwardes, the company's new chairman.

He recalled that the Ryder plan had envisaged that British Leyland would obtain 33 per cent. of the market.

"It is much lower than that," said Mr. Varley. But he told MPs, some of whom expressed concern about the range of British Leyland models, that he was confident that the newly-established British Leyland Board would tackle the matter as quickly as possible.

Mr. Richard Page (C., Workington) called for an assurance that the new chairman was fully aware of the importance of a balanced range of models, while Mr. Tony Durant (C., Reading N.) emphasised the value of middle-range cars and said the British Leyland distributors were not convinced about the merits of the new Mini.

Mr. Varley replied that these were matters for the British Leyland Board.

Mr. Hal Miller (C., Bromsgrove and Redditch) pointed out that the money which the House had voted for British Leyland had been provided on the basis of the Ryder plan.

"If that is now to be changed or overtaken by events, it will be necessary to come back to the House again for the approval of the necessary funds," he contended.

Mr. Varley told the House that the NEB would receive British Leyland's revised corporate plan around the turn of the year. It would be for the Government to decide how to make its views known to the House.

During later exchanges, Mr. Norman Lamont, a Conservative industry spokesman, said the management of British Leyland had invested a great deal of time in negotiating a common wage bargaining date, which had now been vetoed by the TUC.

He urged the Government to make it clear that it would back the British Leyland management—if such backing was required—on a common bargaining date.

Mr. Leslie Huckfield, Under-Secretary for Industry, said the matter was still under consideration. Obviously, account would be taken of the views of the TUC.

Minister defends 10% pay policy

A GOVERNMENT Minister yesterday hit out at the "absurdity of the argument of exceptions" to the 10 per cent. pay policy.

Mr. Alan Williams, Minister of State, Industry, said at a London conference that those who claimed they were exceptions should understand why the Government insisted on 10 per cent.

If wages were kept to this level, single-figure inflation could be achieved by the middle of next year. Britain's "unique rate of inflation" had to be beaten.

Mr. Williams added: "I would have thought that the absurdity of the argument of exceptions would have been shown in the large crowds of those who go to lobby their MPs to claim exceptions."

Referring to claims above 10 per cent., he said: "If we drift towards 15 per cent. inflation will start to rise again and no one gains from that."

● Eleven firms are being subjected to sanctions for breaking the terms of the voluntary pay code. Mr. Robert Sheldon, Financial Secretary to the Treasury, said in a Commons written reply.

He pointed out that many other firms had voluntarily re-negotiated settlements which might otherwise have called for the invoking of the Government's discretionary powers.

Kaufman eager to see airlines 'buy British'

A DEMAND for the dismissal of Mr. Ross Stainton, deputy chairman of British Airways, following reports that he had said the company might order new aircraft from the U.S., was rejected by Mr. Gerald Kaufman, Minister of State, Industry, in the Commons yesterday.

"I don't think a random dismissal is a necessary solution to this problem," the Minister declared.

He told MPs: "We are extremely anxious that British Airways and other British airlines, including privately owned airlines, should buy British."

Mr. Kaufman was answering Mr. Doug Hoyle (Lab., Nelson and Colne) who claimed it was "very damaging" when British Airways announced that they were going to buy American.

Mr. Hoyle urged that Mr. Stainton be sacked.

Mrs. Helene Hayman (Lab., Welwyn and Hatfield) said that British Airways should be firmly told they had to "fly the flag."

She added: "The already demoralised civil aircraft industry in this country was appalled by the speech which Mr. Stainton made last week."

Spanish homes inquiry demand

Financial Times Reporter

AN INVESTIGATION into the advertising of retirement homes in Spain in the Choice Magazine was demanded by Mr. Terry Walker (Lab. Kingswood) in the Commons yesterday.

He asked the Attorney General if he would refer to the Director of Public Prosecutions, with a view to prosecution for fraud, the activities and advertising in the U.K. of Spanish Gold Real Estate Ltd.

Mr. Arthur Davidson, Parliamentary Secretary to the Law Officers, said Spanish Gold Real Estate was the trading name of Swadeway Limited. He had no evidence of the commission by that company of criminal offences.

Mr. Davidson promised to consider any evidence submitted by Mr. Walker and, if appropriate, to submit it to the Director of Public Prosecutions.

Call to change contempt law

A CHANGE in the law relating to contempt of court by the media was demanded by Mr. Hugh Fraser (C., Stafford and Stone) in the Commons yesterday.

He said that where retrials of criminal cases were ordered, an absurd situation had been reached.

Mr. Fraser cited recent cases of the Newcastle Journal and the Staffordshire Newsletter "when the unfortunate editor was dragged before the court and told he was in contempt."

Silkin set to fight fishing proposals

BY IVOR OWEN

FISHING QUOTAS proposed by the EEC Commission for Community waters outside the coastal belts of member States were flatly rejected by Mr. John Silkin, Minister of Agriculture and Fisheries, in the Commons last night.

He told MPs that they were "totally, utterly and irrevocably unacceptable."

Mr. Silkin's uncompromising stand—one week before the EEC's Fisheries Council meets in Brussels in yet another attempt to reach agreement on a Common Fisheries Policy—won approval from both sides of the House.

It was backed from the Opposition front bench by Mr. Michael Jopling, who stressed that no British Government could be expected to accept the quotas proposed by the Commission. "We are entitled to a far greater share," he declared.

Mr. Silkin was equally adamant in insisting that the EEC must be prepared to adopt a tougher conservation policy than anything so far agreed.

He gave notice that Britain will press for a stronger and more effective set of measures to deal with what he described as the "tremendous catch" of small white fish taken in the course of industrial fishing in the North Sea.

While Britain would always support conservation measures on an EEC-wide basis, he said, a clear lesson had emerged in the course of the last year.

This was that "it is very difficult indeed to secure the agreement of all member States on measures which we regard as absolutely essential even if they are fully supported by scientific evidence."

Mr. Silkin also strongly restated the case for Britain having a coastal belt extending up to 50 miles, and indicated that he hopes progress will be made towards this objective in Brussels next week.

Britain, he emphasised, remained ready to act to conserve the fish stocks—on a non-discriminatory unilateral basis—should that prove necessary.

"Let nobody be under any illusions," declared Mr. Silkin. "The mandate I take to Brussels is a national one, representing as it does the views of everybody connected with fishing and every shade of political opinion in our country.

"It is to that mandate that our colleagues in Europe must now address themselves."

Mr. Jopling renewed Conservative support for a 50-mile exclusive economic zone and agreed that coastal States were best fitted to control fishing and conservation. "But the rules set up to allow them to do it must be tightened so that there is the minimum of cheating," he said.

Mr. Kevin McNamara (Lab., Hull Cent.) said it should be understood that quotas would not protect Britain's interests nor those of any other member of the Community. It was the licensing of fishing vessels and fishing effort which was of crucial importance.

Replying to the debate, Mr. Bruce Millan, Scottish Secretary, said there was a very strong case for continuing the ban on North Sea herring fishing, due to expire at the end of the year, for "a very considerable period" into 1978.

This approach would be pursued in next week's negotiations in Brussels as would Britain's view that it was wrong that France alone should be granted a derogation from the herring ban.

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on November 28, 1977. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the U.K. and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (S) member of the sterling area other than Scheduled Territory; (k) Scheduled Territory; (o) official rate; (F) free rate; (T) tourist rate; (n.c.) non-commercial rate; (n.a.) not available; (A) approximate rate, no direct quotation available; (sg) selling rate; (bg) buying rate; (nom.) nominal; (ex/) exchange certificates rate; (P) based on U.S. dollar parities and going sterling dollar rate; (Bk) bankers' rate; (Bas) basic rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate.

Sharp fluctuations have been seen lately in the foreign exchange market. Rates in the table below are not in all cases closing rates on the dates shown.

Place and Local Unit		Value of £ Sterling
Afghanistan	Afghani	78
Albania	Lek	(O) 10.10 (A) / n.a.
Algeria	Dinar	7.53553 (sg)
Andorra	French Franc	8.81
	Spanish peseta	148.80
Angola	Kwanza	n.a.
Antigua (S)	E. Caribbean $	4.9155
Argentina	Ar. Peso Free Rate	1804.16
Australia (S)	Australian $	1.5070
Austria	Schilling	29.75
Azores	Portug. Escudo	73.675
Bahamas (S)	Ba. Dollar	1.8190
Bangladesh (S)	Taka	27.375 sg
Bahrein (S)	Dinar	0.717
Balearic Is.	Spa. Peseta	148.88
Barbados (S)	Barbados $	3.638
Belgium	B. Franc	(cm) 58.52 / (fn) 63.52
Belize	B $	3.638
Benin	C.F.A. Franc	440
Bermuda (S)	Bda. $	1.8190
Bhutan	Indian Rupee	15.6715 (sg)
Bolivia	Bolivian Peso	36.38
Botswana (S)	Pula	1.5084
Brazil	Cruzeiro	28.14
Br Virgin Is. (S)	U.S. $	1.8190
Brunei (S)	Brunei $	4.2975
Bulgaria	Lev	1.6820
Burma	Kyat	13.0515
Burundi	Burundi Franc	166.825
Cameroon Rp	C.F.A. Franc	440
Canada	Canadian $	2.0175
Canary Is.	Spanish Peseta	149.60
Cape Verde I.	Cape V Escudo	n.a.
Cayman Is. (S)	Cay. I. $	1.51585
Cent. Af. Rp.	C.F.A. Franc	440
Chad	C.F.A. Franc	440
Chile	C. Peso	(Bk) 48.09
China	Renminbi Yuan	3.27170
Colombia	C. Peso	(P) 88.28
Comoro I'ds.	C.F.A. Franc	440
Congo (B'ille)	C.F.A. Franc	440
Costa Rica	Colon	15.6454
Cuba	Cuban Peso	[illegible]
Cyprus (S)	Cyprus £	[illegible]
Czechoslovakia	Koruna	[illegible]
Denmark	Danish Krone	[illegible]
Djibouti	Fr.	[illegible]
Dominica (S)	E. Caribbean $	[illegible]
Dominican Rep.	Dominican Peso	[illegible]
Ecuador	Sucre	[illegible]
Egypt	Egyptian £	[illegible]
Ethiopia	Ethiopian Birr	[illegible]
Eq'l Guinea	Peseta	[illegible]
Falkland Is. (S)	Falkland Is. £	[illegible]
Faroe Is.	Danish Krone	[illegible]
Fiji Is.	Fiji $	[illegible]
Finland	Markka	[illegible]
France	French Franc	[illegible]
Fr. C'ty in Af.	C.F.A. Franc	[illegible]
Fr. Guiana	Local Franc	[illegible]
Fr. Pac. Is.	C.F.P. Franc	[illegible]
Gabon	C.F.A. Franc	[illegible]
Gambia (S)	Dalasi	[illegible]
Germany (East)	Ostmark	[illegible]
Germany West	Deutschmark	4.05
Ghana (S)	Cedi	2.0760 (sg)
Gibraltar (K)	Gibraltar £	1.00
Gilbert Is.	Aust. Dollar	1.6070
Greece	Drachma	65.457
Greenland	Danish Kroner	11.14
Grenada (S)	E. Caribbean $	4.9155
Guadeloupe	Local Franc	8.81
Guam	U.S. $	1.8190
Guatemala	Quetzal	1.8190
Guinea Rep.	Sily	[illegible]
Guinea Bissau		[illegible]
Guyana (S)	Guyanese $	[illegible]
Haiti	Gourde	[illegible]
Honduras Rep	Lempira	3.65
Hong Kong (S)	H.K. $	8.457
Hungary	Forint	(com) 71[illegible] / (nc) (T) [illegible]
Iceland (S)	I. Krona	386.0
India (S)	Ind. Rupee	15.6715
Indonesia	Rupiah	754.86
Iran	Rial	(A) [illegible]
Iraq	Iraq Dinar	0.5378
Irish Rep (k)	Irish £	1.00
Israel	Israel £	27.785
Italy	Lira	[illegible]
Ivory Coast	C.F.A. Franc	440
Jamaica (S)	Jamaica Dollar	[illegible]
Japan	Yen	[illegible]
Jordan (S)	Jordan Dinar	[illegible]
Kampuchea	Riel	[illegible]
Kenya (S)	Kenya Shilling	[illegible]
Korea (Nth)	Won	[illegible]
Korea (Sth)	Won	[illegible]
Kuwait (S)	Kuwait Dinar	[illegible]
Laos	Kip Pot Pol	[illegible]
Lebanon	Lebanese £	[illegible]
Lesotho	S. African Rand	[illegible]
Liberia	Liberian $	[illegible]
Libya	Libyan Dinar	[illegible]
Liechtenstein	Swiss Franc	[illegible]
Luxembourg	Lux Franc	[illegible]
Macao	Pataca	[illegible]
Madeira	Portug'se Escudo	[illegible]
Malagasy Rp.	MG Franc	440
Malawi (S)	Kwacha	[illegible]
Malaysia (S)	Ringgit	[illegible]
Maldive Is. (S)	Mal Rupee	[illegible]
[illegible]	[illegible]	[illegible]

[illegible]

Entertainment Guide

CC—These theatres accept certain credit cards by telephone or at the box office

OPERA & BALLET

THEATRES

CINEMAS

ART GALLERIES

BUSINESS AND INVESTMENT OPPORTUNITIES

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ENERGY

Solution to storage problem sought

ONE OF the problems of using alternative energy sources is storage. Several solutions have been proposed, the latest being one based on reversible chemical reactions to provide heating, air conditioning and electricity. It is being developed at the Energy Research and Development Administration's (ERDA) Argonne National Laboratory in the U.S.

Hydrogen conversion and storage system (HYCSOS) uses heat from an energy source or from the environment to shuttle hydrogen gas between storage tanks in a way that uses reversible chemical reactions to heat or cool a building, day or night.

During the day, solar or fossil energy can be converted into heat and used for space heating while at the same time creating a store of chemical energy. At night, the system functions as a "chemical heat pump," drawing heat from the night air and using the heat to recover the stored chemical energy as heat for building use.

The demonstration system uses four small interconnected tanks, each filled with either a lanthanum-nickel or a calcium-nickel alloy. The system draws heat from the environment or energy source and applies the heat to appropriate combinations of tanks to provide heating, or air conditioning, or to generate electricity.

To heat a building, HYCSOS might use a solar concentrator to heat a hydride to about 215 degrees F., causing it to give off hydrogen at a pressure of about 9.5 atmospheres.

The hydrogen is routed to a tank containing an alloy which *is kept at about 105 degrees F.* At this temperature, the alloy forms a hydride with a decomposition pressure of about nine atmospheres.

Because the first hydride's decomposition pressure is greater at 215 degrees F. than that of the second at 105 degrees F., the hydrogen flows into the second tank where it reacts with the metal and gives off heat. This heat of reaction can be drawn off and used to heat a building during the day.

To heat the building at night, the process is reversed and heat from outside the building is applied to the second hydride. If the outside temperature is no lower than 46 degrees F., the second hydride has a decomposition pressure of about one atmosphere.

The liberated hydrogen flows back to the first tank which is now at a temperature of about 105 degrees F. Because the decomposition pressure is greater at the second tank at 46 degrees F than at the first tank at 105 degrees F the hydrogen flows into the first tank, reacts with the alloy to reform the original hydride and produces heat of reaction which can be used to warm the building.

To provide air conditioning, the heat is absorbed from inside the building and applied to a tank of the second hydride to drive hydrogen into a tank containing the first metal where the heat of reaction is dissipated outside the building.

To generate electricity, three tanks containing the second metal can be used. Hydrogen, obtained by decomposition of hydride in one tank, can be used to push a piston, and the energy converted into electricity.

Somewhat similar concepts are embodied in work at Salford University to create mechanical/chemical batteries based on compounds such as lithium bromide *which releases heat on contact* with water or water vapour but will give up the absorbed water under low pressure.

More from Argonne National Laboratory, Argonne, Illinois, 60439, U.S.

● METALWORKING

Adjustable drill stop

INDEXING DEPTH stops are fitted to most drilling machines, but when multiple jobs are to being carried out using the same set-up the number of stops can be limiting factor.

This problem has been overcome with an adjustable drill stop designed by B. O. Morris, Briton Road, Coventry CV2 4LG (0203 455014). A sleeve on the toolholder is set to give the required depth and secured by a split nut.

Grooves on the face of the sleeve remove any swarf from between the sleeve and the workpiece or bush face. Large windows prevent swarf from accumulating inside the sleeve.

The holders are available to fit machines with Morse tapers two to four, and will carry tools with Morse tapers one to four. These adjustable drill stops can also be used on turret lathes and similar machines.

● DATA PROCESSING

Cashing in on the market

HUGIN, the cash register company which is part of the huge Swedish Kooperativa Forbundet, *has just revealed* that it has achieved a £3.5m. turnover in the U.K., claiming that it now has 12 per cent. of the installed base and that in 1977 will have taken 28 per cent. of "the available new business."

On this basis European chief executive David Pope believes the U.K. company could soon be in the number two position in *the U.K. cash register business.* World-wide the Hugin group turns over about £50m. in both electromagnetic/manual and electronic systems and in January will be celebrating its golden jubilee in the cash register industry.

From 1950 to 1971 the equipment was sold through an agency owned by the Co-operative Wholesale Society, but the U.K. company is now a direct subsidiary of the Swedish parent.

However, since 1950 "Co-ops" throughout the country have used Hugin machines exclusively, giving rise to some 20 service locations which are now of great value to Hugin's sales effort.

But to-day the "Co-op" business is only *a third of the total.* Primary market targets are food and department stores with 20 to 150 branches: the "mid-multiples." But large chains, if they can be uncoupled from NCR, Gross and other majors, are being taken. The customer list now includes Sainsbury, Fine Fare, Keymarkets, Woolworth and Jacksons (part of Burton)—the last three for point-of-sale electronic devices.

The Jacksons contract, providing Hugin with £90,000 of leasing revenue annually is saving the tailoring company about £200,000 a year in terms of data collection, for which the number of *staff employed is down from* 180 to 95. Cashiers have been virtually eliminated, from 180 to 11. Previously the company estimates it was spending over £400,000 in extracting information about its business. Now there are 170 microcomputer-based model 300 terminals in the 93 branches.

The 300 is at the top of the *range and can be programmed* to suit any retailing environment. It can therefore deal with the majority of events that are likely to be encountered by the assistant. Transactions are written to a ¼ inch tape cartridge for conversion to industry compatible ½ inch tape for mainframe processing.

For the management, report generation is programmable so as to provide store sales details and analyses in whatever form is desired. Change dispensers, credit card readers, light pens/tag readers, remote displays and remote data capture equipment can be added with relative ease.

An interesting aspect of Hugin is that it only designs, assembles and markets the units: all the piece parts and components are made by an astonishing 3,000 sub-contractors in various parts of the world. Assembly takes place in Stockholm, Brazil and Mexico. Pope maintains that this is what has kept Hugin in the business when others have dropped out—there has been no re-tooling to cope with the change from electromagnetic/mechanical to pure electronics.

More on 01-236 3011.

GEOFFREY CHARLISH

Payroll at low costs

PAYFACT is a computer service that provides companies with an inexpensive and flexible payroll system for both hourly paid employees and salaried staff.

It is intended to provide a fast but comprehensive method of wages preparation for as little as £10 per payroll.

During a four-week test-marketing period, 15 customers signed for the service even though it will not go into action until the 1978-79 tax year.

Payslips give a fully detailed break-down of earnings and can take account of both taxable and non-taxable deductions, including such items as basic rate, overtime, pensions, bonus, travel, expenses, meal allowances, social club subscriptions and so on. Also available are facilities for deduction of union dues at source and payment of numerous allowances.

Up to 99 additions and deductions may be specified by the client.

Payment of salaries may be by credit transfer, cheque or cash, in which case a coinage analysis is provided.

Apart from wage slip production, statutory year-end slips such as P35s, P60s, P9s and P11s may be prepared from a computer listing.

More from CMG on 01-651 7631.

Tiny data handler

FIELD Intelligent Signal Terminal (FIST) is a hand-sized ultra lightweight device weighing less than 2 kg with a considerable data handling capability provided by the Ferranti F100-L microprocessor it contains.

FIST can operate over any standard military radio communication link and incorporates a keyboard for data entry and a visual display for input data verification and the receipt of transmitted messages. It draws electrical power from the particular field radio to which it is either connected directly or linked by wandering leads where remote operation is required.

Messages are entered on FIST's numeric and function keyboard, stored in the computer, displayed for verification and, if need be, correction prior to transmission.

When released, data is transmitted at high speed in a short burst to reduce radio transmission time to a minimum. This reduces the risk of detection and also signal interference.

At the receiving station the message is passed to a complementary FIST which checks the transmission for errors, translates and displays the message and automatically relays back to the sender an acknowledgement that the data has been received correctly.

If several messages (up to ten) are received in quick succession, they are stored by FIST for subsequent selection and action.

FIST can function in conjunction with other computer systems and equipment including visual display units, and line printers when required.

Although developed initially for army application, FIST can obviously easily be used to extend the level of command and control in equivalent naval, airforce, police and emergency service situations.

There are also commercial possibilities.

Digital Systems Division, Ferranti, Western Road, Bracknell, Berks. RG12 1RA.

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

● HANDLING

Improved lifters

MID-RANGE models of Ransomes L series electric lift trucks are being given power-assisted steering and bigger motors in changes which improve work cycle times and reduce operator fatigue.

The L35M, L40M and L50MS, with capacities in the range 1,750-2,500 kg (3,500-5,000 lbs) have their lifting speeds increased by an average of 90 per cent. and better lowering speeds. Travelling speeds are kept much the same.

Power-assisted steering goes hand in hand with Solectronic (solid state) control of the hydraulic functions to give the operator better inching control and make tilting and the operation of attachments more efficient and quieter. A new type of overhead guard is provided for *better visibility, especially when* high stacking.

The trucks also work on a 72-volt system to cope with the faster lift speeds and power-assisted steering. Excessive battery drain has been avoided by using the solid state controllers for hydraulic pump as well as traction motors, and improved thermal efficiency obtained from monobloc construction.

Ransome Sims and Jefferies, Ipswich (0473) 72222.

● COMPONENTS

Plastic fan for very hot work

TRUFLO, of Tipton, Europe's leading fan manufacturer, has used heat-resistant plastics to make an advance in the design of heavy duty fans.

Trufoil fans can be assembled in numerous combinations from a range of polypropylene blades and metal hubs.

This flexibility enables the fans to be used in a series of applications requiring differing performance characteristics. The fans are being used extensively in Scandinavia and Europe for heating and ventilation applications, but in North America a number of major truck manufacturers are evaluating them for underbonnet use, which is a particularly arduous application.

The blades of the fan are moulded individually in Shell polypropylene KMT in a range of dimensions and with varying profiles. The blades can be clamped at varying angles of incidence on standardised hubs, available in four diameters.

Using polypropylene, Truflow has been able to design blade profiles which provide more efficient airflow for lower horsepower *than comparable fans* using metal blades. The development of the blades involved extensive tests on spinning rigs in hot environments.

Anthony Company is using Trufoil fans in clutch fan units for diesel engines; a similar fan has been undergoing exhaustive trials in the hot ambient conditions of Arizona in a White Motors heavy diesel truck. Many more big American manufacturers are including the fan in their forward plans for heavy vehicles, industrial and agricultural diesel engine installations.

"At the moment we are selling all we can to Europe and we believe there is enormous growth potential for up to ½-1m. units."

Only a small proportion of industrial fans are now made of plastics Truflow says and it foresees that this position will change considerably.

More from Shell at Villiers House, 41, Strand, London, WC2N 5LA. 01-438 3000.

● ELECTRONICS

Matsushita unveils video-disc

MATSUSHITA Electrics has developed a new home video disc player which can provide 1- or 2-hour playback in stereo and colour which is claimed to be different from and superior to other existing video disc technology.

Advantages specifically claimed for the Matsushita player (which has yet to be marketed commercially) are that the player can be easily mass-produced and that the plastic discs can be produced in existing audio records production facilities.

A third point in favour of the Matsushita system is that the time required for cutting master records is relatively short compared with other systems. Matsushito says *it has cutting* machines ready for use if programme companies show interest in the new system.

It also says the player could be sold in Japan at a price somewhere between $480 and $600. *Actual production, how*ever, will depend on the interest shown by programme companies in the field of music and sports entertainment and the film industry.

The three existing video disc technologies are the TED formula (developed by Telbec—a joint venture of Decca and Telefunken) and the processes developed by RCA and Philips. The RCA and Telbec processes are being introduced into Japan by Pioneer and Sanyo Electric respectively (the latter in association with General Corporation, a medium-sized electrical appliance maker).

Matsushita's moves in the video disc field have been anticipated *with interest.* The company has close links in other fields with Philips but has opted to go it alone in the video disc field, evidently confident of the merits of its own new technology.

YOKO SHIBATA

National introduces video recorders

NATIONAL Panasonic has entered the ¾-inch tape video market with the introduction at Video Tradex 77 of its NV-9000 "U-Vision" video cassette recorder range in four models. These include standard and high *performance recorders,* editing recorder and editing controller.

Together, these provide a complete medium for international information exchange, offering all three main TV formats—PAL and SECAM recording and playback, and (in the case of the NV-9200) NTSC playback.

The new recorders have high video performance with a resolution of 350 lines in monochrome and 250 lines in colour. Signal-to-noise ratio is better than 46dB and National's own hot-pressed ferrite video heads further enhance picture quality.

An automatic phase control (APC) circuit ensures stability of the colour picture; a dropout compensator helps eliminate the loss of video signal by replacing lost video information with matched signals from the pre*vious line* and a noise compensator reduces the annoying electrical interference that could otherwise produce a grainy effect on the screen.

A number of features improve the quality of dubs and edits, and make their execution easy and quick. A dubbing selector switch provides better colour quality for dubbing or video editing by allowing the APC to be bypassed when conditions call for it.

National Panasonic (U.K.), 107 Whitby Road, Slough, Bucks, SL1 3DR. Slough 34522.

● QUALITY CONTROL

Simple test for flaws

SACK Engineering Company has delivered a wave form grinding machine to Guest Keen Williams of West Bengal which, together with ancillary handling, feeding and discharge equipment, is worth more than £1m.

The grinding unit was built to a Sack design by Cooper Precision Engineering of Walsall, West Midlands, and was completed one month earlier than promised.

The wave *form* grinding technique provides a most economical way of detecting flaws and cracks in steel billets, which are fed through revolving and oscillating grinding wheels to cut a shallow wave-shaped pattern in the steel. Inspection of the wave form will reveal defects, seams or laps in the billet.

Sack Engineering Company is a subsidiary of Sack GmbH of Dusseldorf, supplier of rolling mills and processing lines to the world's metal producing and manufacturing industries. It operated from 0902 771031.

● PROCESSING

Glassware precisely weighed

IN THE manufacture of accurately dimensioned container ware it is difficult to adhere to the required vol—and hence weight—of the containers. The walls tend to become too thick or too thin, capacity fluctuates according...

Siemens has brought out weighing and control equipment which weighs each product separately before it goes into the cooling section. The weight of the finished ware is thereby kept constant.

...

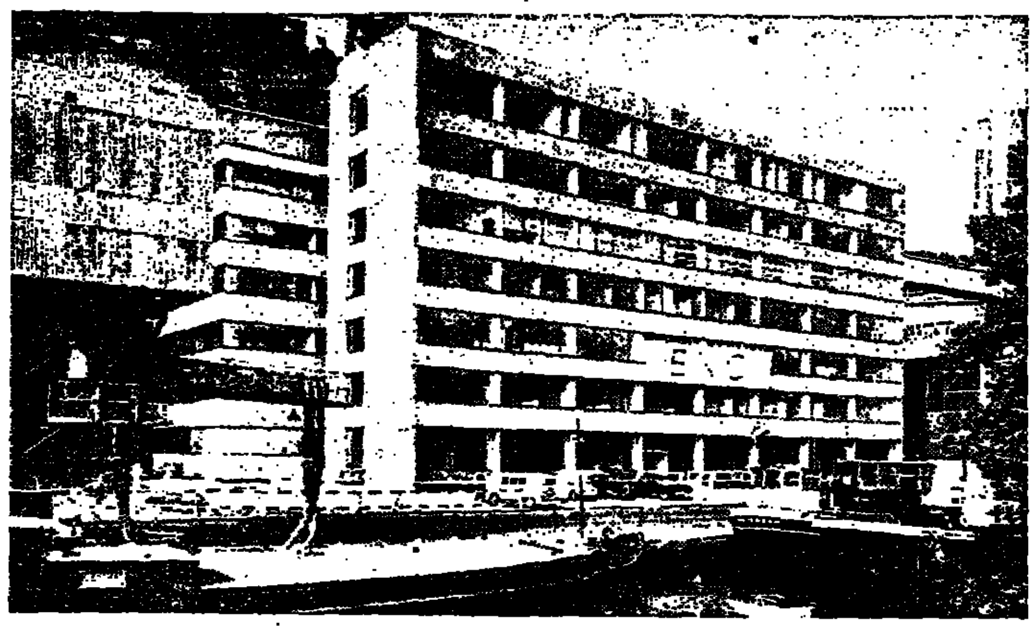
Siemens AG, Postfach ... D-8000 Munich 1, Federal Republic of Germany.

هكذا من الأصل

The Management Page

As researchers from Holland were looking at Britain's worker co-operatives, **Robert Oakeshott** visited an unusual but successful enterprise in Utrecht

Redoubled Dutch interest in co-ops



One of the Van Steenis co-operative's projects, the office and laboratory for a Maastricht cement works

...TH TWO authoritative re...rch projects currently in ...gress and with the country's ...our Party due to hold a ...cial meeting on the subject ...y *in the New Year there* is ...r evidence that in Holland, ...n the U.K.—and indeed else...re in the OECD world—...re has been a sudden renewal ...nterest in workers' co-ops.

...n the other hand there is a ...p imbalance, if anything ...n more so in *Holland* than ...the U.K., between the level ...current interest and the ...me of activity. Moreover ...history of enterprises of ...*kind is no more encourag*... in Holland than it has ...erally been, with a few ...inguished exceptions, else...re. Thus this current ...ch interest should best be ...erstood as an interest in the ...*ential of workers' co-ops, if* ...perly structured, to help ...e problems of relationships ...hin the enterprise — and ...eed some other problems as ...ll.

...f the two current study ...jects, the one which *is being* ...ducted by the joint research ...ndation of the Dutch trade ...ion confederations is perhaps ...more surprising, at least in ...context *of* traditional U.K. ...de union attitudes. The two ...m leaders of the study, Mr. ...arten van Klaveren and Mr. ...Kees Looise, an economist ...a *sociologist respectively,* ...e in fact in London early in ...ember visiting the Inter...ional Co-operative Alliance ...various co-op enterprises in ...U.K. and discussing among ...er things last year's Common ...nership Act. They expect ...t their study will be finished *and, the report available, early* in the New Year.

Somewhat in parallel with trade union study is an official research programme into workers' co-ops to which the last Dutch Government committed itself before *the general* elections earlier this year. In this case *the initiative can be traced* back to a Christian Democrat member of the last administration—which neatly illustrates the fact that interest in these kinds of enterprise now extends across most of the Dutch political spectrum.

On the other hand, Dutch officials felt so uncertain about their ability to undertake the research efficiently, that they eventually asked the Federation of Workers Productive Co-opertive *Societies—the* Associatie van Bedrijven op Co-*operatieve* Grodslag (or the A.B.C. for short)—to do the job on the Government's behalf and with Government money. And that explains why the President of the A.B.C., Mr. C. L. Provily, was also in this country, with *much the same assignments* as those two trade union researchers, earlier this month.

Revival

The Labour Party meeting on workers' co-ops will be held in Utrecht and will be addressed among others by Mr. Provily who is chief *executive of a successful* and well established co-op of consulting engineers there. Even if the meeting has to be put off again, the Labour Party now seems committed to a serious discussion of a possible role for *workers' co-ops in the Dutch* economy.

Other evidence of renewed interest in this subject comes from a revival in academic attention. A learned study of the experience of Dutch workers' co-ops between 1901 and 1958 was published last year — this shows, in effect, that they were brave but largely unsuccessful.

Meanwhile two academics at the high powered Institute of Social Studies in The Hague are busy producing a book length study of the Mondragon co-operatives in the Basque Provinces of Spain. Evidence of more direct, *and* more *practical* interest comes from the enquiries which have been reaching Mr. Provily in Utrecht, at an average rate of roughly one each week, over the last few years. Some of these originate *from existing conventional* enterprises, where either the shop floor or the owners and managers, or both, express an interest in the possibility of conversion into co-ops. Others come from individuals or groups interested in the possibility of setting up co-ops from scratch.

But there is no disputing the imbalance between the level of interest and the volume of actual workers' *co-op* activity. The co-op of consulting engineers of which Mr. Provily is chief executive — *Co-op* Vereniging Ingenieursbureau van Steenis — has roughly 100 people *on its payroll* and was founded as long ago as 1945.

But there are not more than a dozen or so other enterprises *affiliated to the ABC.* It is true that there may be as many as 40 or 50 others, of a workers' *co-op or workers' co-op type* character, which for one reason or another are not so affiliated. All the same, with a few exceptions, these enterprises all fall *into the small sized category.* The affiliated co-ops together had a turnover of little more than £34m. and a total payroll of only 1,400.

The one really substantial concern is Co-op Bouwbedrijf H. Moes b.v., a building enterprise at *Zwolle* in central Holland which has a current payroll of approximately 900 and a 1976 turnover of Fls.95m. (roughly £20m.). About 70 per cent. of its work consists of local authority housebuilding with the *balance accounted for mainly by* industrial and commercial projects.

It was set up, as a conventional family business, by Mr. *H. Moes as long ago as* 1932. To-day it is almost certainly among the 25 largest building operations in Holland. Its 1976 profits, post-tax and, of course, post financial charges, were Fls.807,000. The Dutch build*ing industry, like its U.K.* counterpart, has been struggling with tough market conditions in the recent past. According to Mr. van der Graaf, managing director, its 1976 profits compare favourably with *its competitors'.*

It was the prospective retirement of Mr. Moes and the absence of any family candidate to take over as chairman which *started the company thinking* about its future in the early 1970s. Various possibilities were examined including a straightforward sale to outside interests. But there was *oppo*sition to such a sale, particularly it seems from senior management which feared that the company's progressive industrial relations policies might well be modified if new owners came from outside.

So in March 1974, with strong trade union support, an enquiry was put *in* hand to test the reactions of the labour force to the possibility of conversion into a co-op. The response, both from management and shop floor, was favourable.

Interest free

It was eventually agreed that Mr. Moes should sell the business to a newly formed co-op for Fls.4.25m. (roughly £1m.) and the sale was effected on the day of his retirement, March 19, 1976. It was *further* agreed that Mr. Moes would lend Fls.1m. of the purchase price to the co-op on an interest free basis for five years. The rest was raised by bank borrowing.

Of greater long term significance, it was also decided that the new co-op would be collectively owned by its worker-members—with no individual ownership shares. The logic behind *that decision was simple* enough. With an ownership *structure of this kind the co-op* is fully protected against de-capitalisation when member owners leave or retire. For the same reason it is also protected from any future liability to capital transfer tax.

In these respects its structure is very similar to that of the Scott Bader Commonwealth—the common ownership company *which manufactures chemicals* outside Northampton.

Lest this Dutch conversion be *thought of as some sort of* model, it should be clear that the differences, compared with *Scott Bader, are at least as im*portant as the similarities. The key one is that whereas Scott Bader was basically handed over by its previous owner as a *gift, the Dutch enterprise* was sold. It is easy to see that the retiring owners of family businesses will be more ready to consider a co-op future for their enterprises if they are not called upon to give them away but can *make a fairly normal* sale.

Co-op Bouwbedrijf H. Moes b.v. has been operating in its present form for little more than 18 months. Mr. van der Graaf is properly cautious about drawing conclusions after so short a period and argues that more time is needed for the enterprise to settle down in its new structure. But he is far from pessimistic. Relations with the unions are evidently good. He seems relatively unmoved by recent decisions on the part of the two Dutch builders' federation to eject the co-op from their ranks. And he projects a *modest increase* in profits over the next couple of years. These, he *insists,* remain of crucial importance in a co-op set up, as a means for ensuring the long *term survival and pros*perity of the enterprise.

If only because of its size, Co-op Bouwderijf H. Moes b.v. is obviously high on the study agenda of the two research projects currently under way in Holland. The co-op's most controversial feature is probably its totally collectivised ownership. Some would argue that while such an arrangement protects the enterprise against de-capitalisation and capital transfer tax it also excludes the powerful motivation which even partial individual ownership can bring. *In any case it is a fair* bet that the advantages and disadvantages of alternative ownership structures will figure prominently in the findings of the two research studies.

But will anything of any real consequence happen either as a result of the two studies or because of the wider revival of interest which they reflect? The *feeling in the Hague is that* some Government action in faviour of industrial co-ops is probable at least in the medium term. But the Dutch are very *conscious of the need for fur*ther experiment in this whole area. Any government support is likely to be cautious and limited at least in the first instance. And it might well be linked wtih provisions which ensure that co-operative experiments must accept a systematic official monitoring of their fortunes.

...ossible benefits of even ...nore financial statistics

...Y PETER RIDDELL

...OULD THE large tax in...eases of spring 1974 have ...en imposed — worsening the ...isting corporate liquidity ...sis—if better and more up-to-...te financial information had ...en available? Would improve...nts to statistics on industrial ...l commercial companies con...bute now to *improved* ...vernment industrial policy? ...would the collection of even ...re figures from already hard-...ssed companies make little ...ference to performance, if ...t policy? These were among ...questions asked — though ...y partially answered — at a ...nference of statistics users in ...ndon last week, organised by ...Bank of England.

...he usefulness of financial ...tistics can, of course, be ...ggerated but a paper from ...CBI economists suggested ...t the decisions of spring 1974 ...re influenced by out-of-date ...l faulty figures. Indeed, the ...y available published data ...ore the March budget were ...se for the end of the third ...*rter of 1973 covering liquid* ...ets. These appeared to indi...e a healthy trend in gross ...idity, so that Mr. Denis ...ley, the Chancellor, was able ...ake the view that companies ...general had been doing ...*ter better in the last year or two and* should bear their share of the cost of putting the economy back on course. The result was a higher rate of Corporation Tax, the Advance Corporation Tax Surcharge and higher employers' national insurance contributions.

The published data were misleading not only in being out *of date and not taking account* of the rise in the price of oil and the three-day working week but also by not showing the true underlying position for the period covered. More detailed inquiries by CBI staff showed *that when liquidity was com*pared with turnover the position was not so impressive and there were several worrying features about the net liquidity *position — in particular* the growth in bank borrowing, and the position was deteriorating.

Liquidity worsening

None of this showed up in the official figures before the Budget. However, the worsening *in the liquidity position of* the corporate sector during 1974, aggravated by the tax rises, led to an abrupt about-turn by the Government in *November, 1974,* with the introduction of the major stock appreciation relief.

The question of whether this could have been avoided is more difficult to answer, but the official statistics have since been improved—for example, with *the Department of Industry* sample survey of company liquidity. The CBI itself has built a survey of company liquidity into its regular Industrial Trends inquiry. This is intended both to show the recent position and the prospects.

However, more general weaknesses in the existing data of manufacturing companies were *identified in* a National Economic Development Office paper to the conference. This argued that the present statistics were neither sufficiently timely nor detailed enough and that this was bound "to have a detri*mental effect on national policy*-making and the work of the industrial strategy."

The paper suggested that the best way of improving the position was to change company accounts "to reflect the needs of analytical users of *accounts* as well as to provide better information for the traditional user, the shareholder." In particular, Neddy maintained that the present company law requirements on disclosure of turnover and profitability of each class of business were only of limited value they should be improved with the disaggregation of all key financial data (*turnover, profit,* value added, capital employed, etc.), both between product groups, and between U.K. and overseas activities.

In addition, Neddy called for the inclusion of a statement of value added, as is increasingly happening, a move towards quarterly *statements,* and *for* the consideration of common accounting periods for all companies. It was hoped that this in turn would lead to improved national statistics.

The paper argued that such changes "*would make for a* much better and wider understanding of the true *financial* position of industry," helping Government, trade unions, sector working parties and, financial institutions. It is certainly fair to argue that if damaging U-turns such as the one in 1974 can be avoided then *more* extensive financial statistics will have served a purpose. But they are not going to make more than a very modest contribution to helping sort out the problems of British industry—in the *industrial strategy or elsewhere*—while the costs and time involved for the companies providing the figures should not be ignored.

Indicators

Last week's final article on international indicators for nationalised industries referred to November 17 as the date of publication of the previous report. *This should have read* November 16.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY

Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897

Telephone: 01-248 8000

Tuesday November 29 1977

Investment funds

THE ORAL evidence of TUC witnesses to the Wilson Committee on the working of financial institutions, which is to produce an interim report on the adequacy of the financial resources made available to trade and industry, contains two particularly interesting passages. One of these concerns the attitude of the TUC to the proper role of the institutions in the financing of capital investment, the other concerns the attitude of Sir Harold Wilson himself to some of the main objects of the inquiry.

The TUC dealt at length in its written evidence, quite understandably and properly, with the need to step up the pace of investment in U.K. manufacturing industry during the next decade, when we shall be enjoying the temporary benefit of North Sea oil, and to make sure that the institutions supplied the additional finance that would be needed for this purpose. While accepting that the rate of return on investment was an acceptable means of distinguishing between alternative investment possibilities at the level of the individual company, however, it did not accept that this should be a supreme guiding light of policy at the national level. It suggested instead various criteria which *the institutions should observe* in supporting investment, criteria which it thought specifically suitable for arresting the decline in the U.K. manufacturing sector.

Involvement

When questioned on these points, however, the TUC representatives did not give an entirely clear answer. It was put to them that Government could and did regularly interfere in the free working of the market in order to reconcile it with what was conceived to be the most desirable course for the economy as a whole. In such a situation, why should the *financial institutions not continue* to invest on commercial grounds, as at present? The TUC reply was something to do with the difference between short-term and long-term considerations: it was to enable the institutions to take greater risks without harming their prior obligations to policy-holders and pensioners that they had put up the idea of some sort of Government-guaranteed return on suitable investments.

Why, they were then asked, should the Government not simply sell additional gilt-edged stock to the institutions and put up the risk capital itself—a course that one might suppose attractive to the TUC? Because, it seemed that would not involve the institutions "in the way in which we think there is a need and a desire for them to be involved." The point was expanded later, that the institutions fully accept the need for an industrial strategy and would like to be associated with it, but are precluded from doing so by their obligations. This may or may not be a misunderstanding: but the idea of a Government-guaranteed return on directed investment, together with the tentative suggestion that pension funds should move to a pay-as-you-go basis, is unlikely to rouse much enthusiasm among fund managers who live in a world where Governments change.

Powerful

The second point of particular interest concerns the views of Sir Harold Wilson, as they emerged towards the end of the TUC questioning. He pointed out that the new industrial strategy proposed by the TUC did not exist, that the institutions were not refusing in advance to finance it but were merely arguing that they could not initiate it. So far as the Committee's interim report goes, therefore, the chairman seems inclined to the view that the level of manufacturing investment is to be blamed on such factors as idle capacity and inadequate profits rather than some failure on the part of the institutions. When it comes to wider issues, however, Sir Harold is evidently interested in the growing resources of pension funds, the fact that "they are so powerful that they *do not know how powerful they* are." and the possibility that they could be "transforming the nature of our society more than any government would ever dare to do even if it had a large majority in Parliament." The ways in which pension funds operate are clearly to be examined more closely later on.

Competition under review

WHEN Britain adopted a formal system of merger control 12 years ago, it was the first West European country to do so and the approach adopted was drawn *not from U.S. practice* but from the earlier U.K. monopolies legislation—namely, that the creation or presence of a monopoly or dominant market power was not in itself good or bad but depended upon the circumstances of each case. The benign nature of U.K. merger control was thus established at the outset and has become even more evident in practice. Relatively few mergers have been singled out for scrutiny by the Monopolies Commission and even fewer have been held by the Commission to be against the public interest.

Permissive

In the last few years, however, there have been growing doubts as to whether merger control has not been too permissive. Many studies have not only shown that the level of concentration in many British industries is rather higher than in other comparable countries abroad but that British companies have also tended to spend relatively more on acquiring other firms. It also appears that there are relatively fewer smaller and medium-sized companies in Britain than in Germany, *France or Italy, although* this could be because the conditions for starting and building up a new firm are somewhat less favourable here. Above all, several studies have recently suggested that many mergers fail to lead to an increase in profitability or have disappointed the hopes of their instigators in other respects.

The inter-departmental review of monopolies and merger policy, together with other aspects of competition policy which Mr. Roy Hattersley, the Prices and Consumer Protection Secretary, announced yesterday is thus to be welcomed, even though it is only four years since the last major review of competition policy reached the statute book. The review seems to have been prompted, however, not only by the desire to establish whether competition policy is founded upon appropriate lines but also to establish some kind of reconciliation between competition policy and the Government's industrial strategy.

There could well be a case for accepting an increase in concentration in some sectors on the grounds that competitiveness in international markets may thereby be improved. Indeed, this *is* a well-known characteristic of the French authorities' approach to mergers. In any case, concentration seems to be growing in most industrialised countries as a consequence of the increased specialisation which free trade has encouraged.

Nevertheless, what has been amiss about competition policy is that it has never been given primacy. The criteria governing references to the Monopolies Commission include regional policy and employment policy considerations as well as the need to maintain and promote effective competition and the interests of consumers. As a result, the Commission has inevitably been drawn into trying to assess the efficiency of different firms and the capability of management, matters which—like all government bodies—it is singularly ill-equipped to judge.

The best way

Competition policy ought to be concerned solely with competition. For example, if merger control needs to be tightened, then this would be best done by requiring the Monopolies Commission to assess the effects of proposed mergers on the competitive situation, as in West Germany, rather than by calling for what will inevitably be subjective judgments about future efficiency. The Commission's procedures may need quickening and its resources increased. But this way the significance of changes in market power upon the competitive system would be brought out more clearly, leaving to Ministers answerable to Parliament the wider task of weighing the benefits of a more competitive climate against regional, or employment, or other policy objectives.

Mergers: why Governments are thinking again

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE ANNOUNCEMENT made by the British Government yesterday indicates its intention to tighten up merger controls and to co-ordinate them at a European level.

Doubts about the value of a further concentration of industry by means of larger mergers, particularly of the conglomerate type, have become much more insistent in Europe during the past 18 months. Both the French and German Governments here made legislative moves which could well be the reflection of a new, stiffer anti-trust policy for Europe.

With the exception of Italy, all EEC states seem now to be agreed that it is desirable to exercise roughly that degree of merger control which is foreseen in the revised draft of the EEC merger control regulation. This *does not mean that the Commission* will really succeed in reviving its pet project. If not dead, it has certainly not been showing any signs of life for a long time. Though member Governments think that merger control may be necessary, for the time being at least, they are more likely to keep this sensitive area under national control.

Merger legislation adopted this year in France enables—but does not oblige—the authorities to curb mergers resulting in a large market share. Horizontal, vertical, and conglomerate mergers as well as equivalent management and profit-sharing agreements are all covered. But there is little doubt that the Government will use its new powers sparingly, having made it clear that it intends to continue to promote the restructuring of French industry for social and technological reasons and to improve its competitiveness on international markets.

A major revision of the Competition Act announced by the Bonn Government would provide the Federal Cartel Office with a better legal handle to control conglomerate mergers — particularly where very large companies penetrate industries consisting of small- and middle-size enterprises — and to control abuses of market power by *dominant enterprises The final* draft of the Bill is expected to be ready in the spring and the new, stricter rules could be in force by the next summer. They would apply to projects initiated but not completed, washing out even favourable court decisions if they have not been given legal force because of a pending appeal.

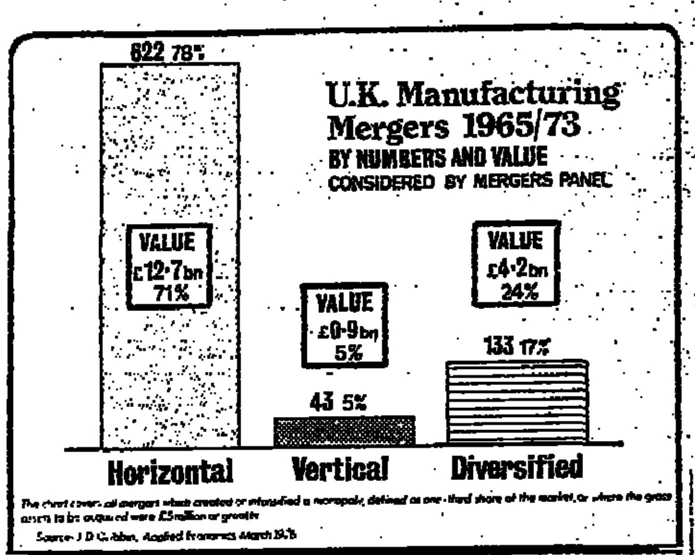
The most important charge proposed in the draft bill now being circulated by the Ministry of Economics would remove the difficulty the Cartel Office now has if it wishes to ban mergers which do not result in an increased market share, but could increase the market power of the merged enterprises because they combine the market share of one with the financial, commercial, and technological resources of the other.

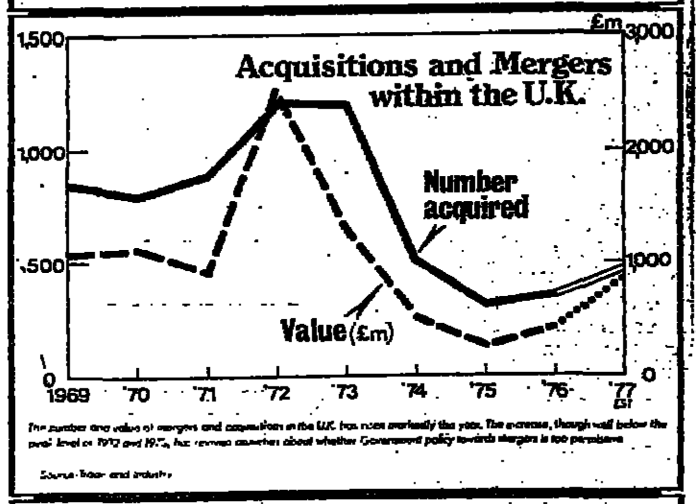
It is proposed that, unless an overriding improvement of con*ditions of competition could* be proved, the Cartel Office should be obliged to prohibit the acquisition by a company with a yearly turnover of £500m. (DM2bn.) or more of another with a share of 5 per cent. or more in a market where small and middle-size enterprises account for at least two-thirds of business. The same strict prohibition would apply to the acquisition by a £500m. company of another which is dominant in at least one important market.

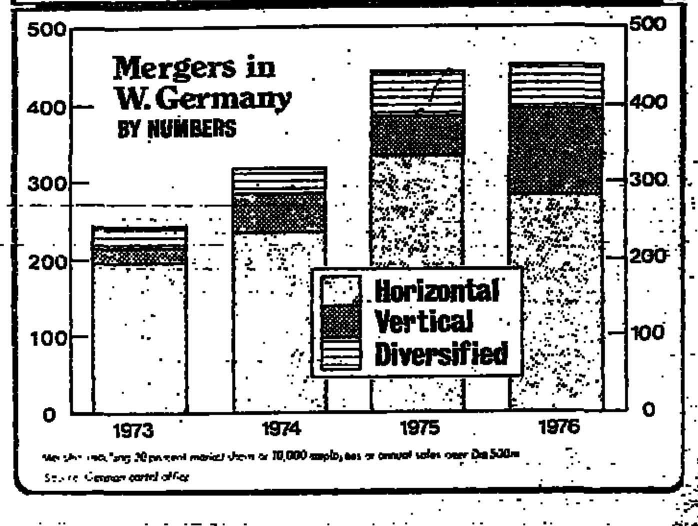
The operation of the proposed new rule can be so well illustrated by the GKN/Sachs case—now pending before the Federal Supreme Court—that it is tempting to call it the "GKN/Sachs law." The Federal Cartel Office based its prohibition of this merger on the argument that GKN would further strengthen Sachs's paramount position on the German clutch market by providing it with additional financial power. The Berlin Appeal Court, however, was not convinced that this would really happen and overruled the prohibition. The change in the law now proposed would create a legal presumption that such additional financial backing would increase market dominance, and the Cartel Office would no longer need to prove its case. Indeed, it would be obliged to ban the merger unless the parties concerned could prove that in some other way it would enhance competition on the clutch market. The Federal Supreme Court has fixed the hearing of the case for February. If matters take their normal course it should be decided before the new Bill reaches the Statute book. If not, the burden of proof would be shifted from the Cartel Office to the two companies and their position in the case would deteriorate substantially.

Other provisions of the draft bill would forbid mergers of companies with an aggregate yearly turnover of DM.10bn. if at least two of the companies merging have reached a turnover of DM.1bn. each. Also the present exemption from merger controls of the acquisition of small companies with a turnover under DM.50m. will no longer apply if the acquiring company has a turnover over DM1bn. Only the acquisition of very small companies with an annual turnover of less than DM2m. would remain exempt.

The Bonn Government has shelved a more radical proposal of the German Monopolies Commission that large monopolistic enterprises should be broken up but has accepted its argument that bigness does not necessarily lead to greater economic efficiency.







Source: German cartel office

Though the legalistic method employed in Germany for dealing with mergers and monopolies requires frequent legislation leading to periodic replays of a drama in which all sorts of dogmas are propounded, the final result is not very different from that of the more pragmatic British approach. The possible adverse effects of conglomerate mergers, with which Germany is now concerned, were very much in the minds of British ministers in 1973, at the time when Germany introduced its first merger control. But neither country has really done very much since to stop mergers. The enormous legal machinery provided for this purpose in Germany resulted in the prohibition of precisely four mergers in 1973 to 1975, of a total of 582 challenged under the Competition Act.

On the contrary, this period has seen some of the most spectacular mergers in the German steel industry. The role of the German Government (against the opposition of both the Cartel Office and of the Monopolies Commission) in the merger between two energy concerns, Veba and Gelsenburg, was only the culmination of the process of concentration in the German power industry in the course of which 41 controllable acquisitions were effected. In German industry at large, 90 acquisitions, almost one-sixth of which were open to review by the Cartel Office, were made by enterprises which in one way or another were controlled by governmental or other public authorities in Germany.

At the European level, the European Commission never made any serious use of the merger control powers which it has under the European Coal and Steel Treaty, and with one single exception, has rubber-stamped all merger projects submitted by the steel industry. It reached for the power to control mergers in other sectors of industry in its Continental Can decision in 1973, but never made use of the blessing then obtained from the European Court.

On the whole, the years from 1973 to 1975 have been characterised by efforts to concentrate European industries exposed to fierce competition on the world market — particularly from U.S. and Japanese companies. As the consequences of recession became more felt the same process was continued in 1976 by a series of rescue mergers. The need to be seen to be saving jobs caused the Bonn Government to over-rule the Cartel Office objections to several important merger projects, in the same way as it was a reason or excuse for greater concentration by nationalisation — direct or indirect—in the U.K. In fact the only trust-busting exercise of the German Cartel Office which has received Government support and encouragement was the ban on the acquisition of Sachs by GKN—possibly because the Cartel Office's wish for a judicial decision on conglomerate mergers coincided with the very bad Press given to the tax freedom enjoyed by the Sachs brothers as Swiss residents.

Will this soft policy towards mergers continue, or do the new legislative developments in France and Germany herald a real change towards tougher enforcement of anti-trust policies? This is of particular interest in view of the current concern in Britain about the untapped potential of small firms to expand quickly as new opportunities open in the rapidly changing world market and monetary situation. The three leading British political parties are probably reaching the conclusion that with the approaching elections it would be unwise to ignore the small businesses or to antagonise their proprietors and employees. For the same reason German *Mittelstandspolitik*, best translated as "measures for small businesses," has long been an important feature of German party politics. In France things are more complicated: as long as the Government depends on middle-class votes it must show concern for the survival of small and medium-size businesses. But the Communist Party can afford to oppose an effective control of concen tion in the hope that la centrally controlled enterpri can be nationalised more eas

This political backgrou lends greater urgency to problem of conglomer mergers which are seen a greater danger to the small medium-size firm than horizo and even vertical mergers. economic arguments are in clusive. A merger betw companies that do not prod similar products and w neither is an actual or po tial supplier of the ot reflects the tendency tow greater diversification, wh may lead to greater stab and hence benefits both inves and employees. The main a ment against the conglome merger is that though immediate impact leaves level of market concentra unchanged, it releases medium-term chain reac which leads to struct changes and greater concen tion of industry.

It is argued that the e into the market of a large d sified firm may set off a de sive reaction on the par others. They will either m among themselves or seek affiliation with another po ful group operating outsid the market. The effect is course, quite different if a conglomerate enters a ma already dominated by a st group and by making greater resources availab one of the smaller compet ensures the survival and in sification of competition.

Finally there is the cas a large group outside a ticular market joining fo with a leader within market who thus gains ac to the greater productive commercial resources of conglomerate. That should to a gradual elimination of smaller competitors. Yet th rarely are so simple. market may be in fact a bu market — as is the case in industries supplying co nents of automotive vehicle return to the GKN/S example, or the acquired e prise may itself badly ne diversify or at least to re its dependence on its nat and sectional market to be better to survive recession structural changes of dem

To sum up, conglom mergers can be seen as ki of competition or instrum lending greater flexibility member companies while ing to integrate the Euro market. Each particular must be decided accordin the circumstances and is probably the strongest ment in favour of the Br pragmatic approach. It als plains why the German listic method does not ach great results.

MEN AND MATTERS

Highland laird's defence . . .

Stung by what the Highland and Islands Development Board has described as "the unacceptable face of feudalism" and by the Scottish Nationalist Party's call to break up large estates, including Balmoral, the Lairds of Scotland rallied to their own defence at Edinburgh's North British Hotel yesterday.

The Duke of Atholl, who admitted to running a castle, 130,000 acres and an overdraft, spearheaded the counter attack as chairman of the Scottish Landowners Federation. He has turned his own family seat into the leading attraction of the Scottish stately homes league and put up a spirited case for private landlords on practical grounds as being more efficient and responsive than the State.

He did not take kindly however to suggestions from some members of the press that he only had so much land because his ancestors had stolen it. "I did not buy my land personally," he replied, "but someone *in the family paid for it in* the past."

As a reply it lacked the candour once shown by Lord Home who, in the days when his position as 14th Earl was the object of some derision from the 14th Mr. Wilson, cheerfully admitted that his predecessors had probably been border cattle rustlers.

More to the point was the Federation's claim that the Duke's holding was atypical and that the average size of Scottish arable holdings was a mere 250 acres. It is only when one rises into the grouse moor and deer country, where the land is too poor for cultivation, that the acreages take on sub-Texan proportions.

In any case, the federation points out Lairds are a dying breed. Low returns on letting, capital transfer tax, protective legislation for tenants and a host of other worries are inexorably taking their toll of this noble calling. The new Lairds are likely to be pension funds, or foreigners, and by that they don't just mean Sassenachs.

. . . and island co-ops

Jo Grimond, doyen of the Liberals, takes time off this morning from more immediate political affairs to report on a visit to the Basque country. He will tell a small and select seminar, close by the Commons, of his enthusiasm for the Mondragon co-operative movement, which he studied for three days last month.

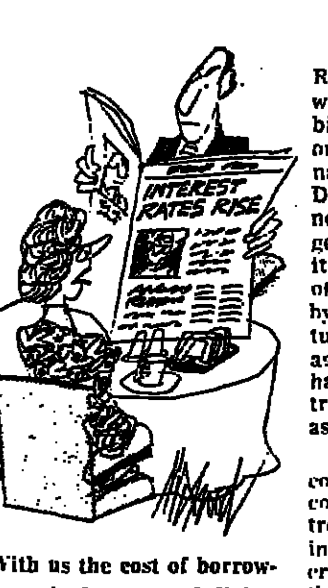
Indeed, Grimond is spreading the news much farther than Westeminster. He has already told his constituents in the Shetlands that they should "consider the central lesson" of the 60 Basque co-operatives. Writing in the *Shetland Times*, he has called them an "eye-opener." and argues that they have "eliminated many of the stresses which lead to incompetence, frustration, over-manning and strikes such as bedevil Britain." If taking a leaf out of the Basque book can manage all that, the Shetlanders will be on to a good thing.

I caught Grimond last night, literally almost breathless from speaking in the House. He reiterated his enthusiasm for Mondragon—"there's a good deal to learn from them"—but seemed reluctant to steal the thunder of a report just being put out on the subject by a team of fellow *aficionados*. The seminar he will be addressing has been set up by the Anglo-German Foundation for the Study of Industrial Society. Several other MPs, not all converts to the cause, will be there.

Lordly trusts

Considering that they manage assets in excess of £6bn., Britain's Investment Trust companies keep a remarkably low profile. This is largely because like lawyers and accountants, the 250 or so individual trusts are not allowed to advertise. The Association of Trust Companies, their trade association, has however been stepping up its own advertising to build up the corporate image of men who see themselves as dedicated practitioners of the art of portfolio management.

Yesterday the association chose Lord Remnant, 47-year-old managing director of Touche Remnant, as its new chairman. In this capacity he presided over the industry's annual dinner where, traditionally, the London brethren entertain their canny Scots colleagues. Sir Harold Wilson, connoisseur of Prime Ministers and City inquirer extra-ordinary, was this year's guest of honour. One of Remnant's duties as chairman of the association will be to sit on the Wilson Committee into the workings of the City and he will also sit on the takeover panel in this capacity as well.



"With us the cost of borrowing and the cost of living amounts to the same thing!"

It has been quite a year for Remnant, starting in January with British Rail Pension Fund's bid to take over Standard Trust, one of 12 in the Touche Remnant stable, "on the cheap" Danger from that quarter was neatly sidestepped with a more generous offer from the Pru; but it did prove to be the precursor of a spate of takeover attempts by pension funds and other institutions anxious to take advantage of the large discount which had developed between the trusts' share prices and the asset values of their portfolios.

The development of this discount, largely an unexpected consequence of favourable tax treatment on Trust share sales in the 1972 Finance Act, led to criticism of the Trusts' collective portfolio management ability. Quite unwarranted, according to Remnant. He stoutly defends British Trust managers as "the most professional and competent in the world," providing a high-class service at a cost of only one third of one per cent of assets managed. Touché, Lord Remnant.

Familiar flavour

The Argentine Meat Institute has now perfected a process—known to some of our motorway restaurants for decades—for converting beef into a tasteless, odourless substance said to resemble cocoa.

However, the Argentines have fallen down on one major part of the process. Unlike certain M1 chefs, who have also mastered the art of destroying all the nutritive value in meat, their product contains 87 per cent. protein.

This "beef meal" is intended for use as a low-cost protein supplement for the underfed regions of the world. It can be used in a wide range of processed foods—and even baked into bread.

Observer

FINANCIAL TIMES SURVEY

Tuesday November 29 1977

هكذا من الأصل

INSURANCE

The expected improvement in underwriting results materialised last year and has continued into 1977 so far. Better claims experience has helped ease underlying problems such as inflation and currency fluctuations.

igns f a elcome irn

Eric Short

t YEAR saw a partial ery in the worldwide rwriting results of British ance companies—an im- ment that had been fore- wed in the previous year. verall loss on all business, ding marine, aviation and port, of £146m. was ted, compared with the d loss of £175m. in 1975. f the 1976 loss is measured percentage of premiums, nprovement shows up even r. Premiums rose by 30 cent. from £4.13bn. to bn., making an under- ag loss last year of 2.7 per of premiums, against 4.2 ent in 1975.

e recovery was held back, ver, because U.K. under- g results on fire and acci- business, normally a profit- account, went sharply into se as a result of two events ture. The first was the e storms that hit the coun- uring the very first week-end of the year, causing extensive damage at a cost of £40m. to insurers.

But this cost was dwarfed by the damage resulting from the long hot dry summer of 1976. The weather has been a boon to the holidaymakers, but the extensive damage caused by subsidence, as the subsoil dried out, was a natural disaster for U.K. insurance companies, costing them £60m.—effectively the largest claim experienced in this country by the U.K. insurance industry.

The net result was that the U.K. fire and accident account recorded a loss of £39m., a swing of £60m. from the previous year. These poor figures were the major reason why the worldwide fire and accident account recorded a loss in 1976 of £102m.—four times the 1975 figure. The results for this business in the rest of the world account were also poor, with a loss of £19m. compared with £3m. in 1975. North West Europe was also affected by the January storms. The U.S. account, however, was only slightly worse on the year.

Solely

Last year's recovery therefore came solely from a tremendous improvement in motor underwriting results—normally the problem account. Here the overall underwriting loss was cut to £41m., 2.2 per cent. of premiums, from £150m., 9.8 per cent. of premiums. This recovery more than offset the deterioration in fire and accident business.

All territories showed a welcome improvement, with the recovery in the U.S. and the Rest of the World being little short of dramatic. U.S. motor underwriting losses were reduced by nearly two-thirds to £27.6m. from £74.7m. The corrective action taken during the previous two years by U.K. insurance companies bore fruit in 1976.

The major companies operating in the U.S.—Commercial Union (CU), Royal and General Accident (GA)—have all embarked on a policy of pruning out unprofitable accounts and agencies and had secured substantial rate increases from more sympathetic authorities. But such actions take several months before the effects work their way through the accounts.

Motor business in the rest of the world last year showed an even greater upswing, with underwriting losses of only £18m. against £70.5m. in 1975. Business in Australia and Canada more or less broke even, the corrective actions having been taken much earlier in these territories than in the U.S. The losses occurred mainly in Western Europe, where insurers are still having trouble from the authorities in securing the necessary premium rate increases to keep the business viable.

The U.K. motor account returned to the black with a small profit of £1.7m., following a loss of £4.6m. in 1975. Claim costs continued to rise during the year, with the cost of spare parts rising by 17 per cent., labour costs by 12 per cent. and car prices by 20 per cent. However, U.K. insurers were able to secure the required rate increases and were able to return to yearly rate revisions after a period of more frequent premium upratings.

The results reported so far this year show that the recovery in underwriting results has continued in 1977. At the nine-month stage, CU had trimmed its losses back by 56 per cent., Royal had a useful profit of £17m. on underwriting, and GA, despite a poor third quarter, had nearly halved its losses.

The U.K. results for all companies were showing improvements as the claims for subsidence damage, although still a significant item, were falling substantially following a wet winter and the return of the normal English summer. With the relaxation of speed limits and less emphasis on energy conservation, motor claims have returned to their levels prior to the energy crisis. GA, the leading U.K. motor insurer, has reported adverse motor experience.

RESULTS OF BRITISH INSURANCE COMPANIES

(£m.)

	1976	1975	Increase %
WORLDWIDE GENERAL PREMIUMS			
Fire and accident (non-motor)	3,484	2,687	29.7
Motor	2,024	1,546	30.9
Marine, aviation and transport	517	408	26.7
TOTAL	6,025	4,641	29.8

	1976 Premiums	1976 Profit/loss	1976 % of premiums	1975 Premiums	1975 Profit/loss	1975 % of premiums
WORLDWIDE UNDERWRITING RESULTS						
Fire and accident (non-motor)	3,342	−102.4	− 3.1	2,597	− 25.2	− 1.0
Motor	2,019	− 43.9	− 2.2	1,533	−149.8	− 9.8
TOTAL	5,361	−146.3	− 2.7	4,130	−175.0	− 4.2
U.K. UNDERWRITING						
Fire and accident (non-motor)	1,198	− 39.1	− 3.3	970	+ 20.3	+ 2.1
Motor	748	+ 1.7	+ 0.2	623	− 4.6	− 0.7
TOTAL	1,946	− 37.4	− 1.9	1,593	+ 15.7	+ 1.0
U.S. UNDERWRITING						
Fire and accident (non-motor)	776	− 44.3	− 5.7	584	− 42.8	− 7.3
Motor	445	− 27.6	− 6.2	320	− 74.7	−23.3
TOTAL	1,221	− 71.9	− 5.9	904	−117.5	−13.0
REST OF WORLD UNDERWRITING						
Fire and accident (non-motor)	1,368	− 19.0	− 1.4	1,043	− 2.7	− 0.3
Motor	826	− 18.0	− 2.2	589	− 70.5	−12.0
TOTAL	2,194	− 37.0	− 1.7	1,632	− 73.2	− 4.5

Investment income from general insurance business continued to remain buoyant. The record yields obtainable on U.K. gilt-edged securities in the latter part of the year was a major factor in boosting income. In addition, most companies had a full year's return on the additional capital raised by the rights issues made in 1975. Overall investment income jumped by a third to £631m., more than sufficient to offset underwriting losses. Last year there was a net surplus on general insurance business of £485m., compared with £290m. in the previous year.

Despite this improved performance, solvency margins slipped a little in 1976. The total of general insurance funds, shareholders' capital and free reserves increased to £8.3bn. from £6.5bn., but expressed as a percentage of premium income they represented only 138 per cent. of such income, against 140 per cent. in 1975. Thus the average solvency margin fell by two points to 38 per cent. Although this level is much higher than that required by the authorities, the major insurers are still seeking to strengthen their asset base to cope with inflation.

The reason is easy to see. Inflation still remains one of the big problems facing insurers. Premium income increased by 30 per cent. in 1976 and although some of this rise came from new business, quite a lot arose simply from inflation. Insurers are still finding that internal growth cannot keep pace with such rises and are having to reinforce their asset base in order to maintain solvency margins. All the composites had rights issues a year or two ago and now it looks as if the companies are coming round again for more cash.

Queue

Commercial Union, which led the queue last time is first again this time round, seeking £74m. from a new rights issue. Prudential Assurance strengthened its asset base by taking over Standard Trust and there have been similar exercises by other companies. The continued improvement in underwriting results this year should help companies to maintain an adequate asset base.

Insurance can only operate successfully under conditions of stable currencies. The weakness of sterling last year brought into focus the heavy exchange risk being carried by insurance companies. This resulted in certain concessions from the Bank of England regarding the amount that can be held in overseas assets. The present strength of sterling has alleviated this problem.

Life business last year remained buoyant, with new annual premiums on individual

CONTINUED ON NEXT PAGE

Investment under scrutiny

INVESTMENT POLICIES of Britain's insurance companies have lately been the subject of a unprecedented degree of scrutiny within the industry as they have come under examination — and even political attack — from outside.

Trends and policies have been explained in detail by the insurance associations in the first part of their evidence to the Wilson Committee on Financial Institutions, along with a *wealth of detail on the* industry's £30bn. of investments. Moreover, defences of the investment record have been fully marshalled both for the Wilson Committee and in response to demands from the Labour Party — though not from the Government — for nationalisation of *seven of the biggest insurance* companies.

The argument that investment policies have responded to the needs of industry to a large extent, and as completely as has been reconcilable with the need for protecting the interests of policyholders, has been advanced on behalf of the whole industry and not only of the seven companies in the front line — Commercial Union Assurance, General Accident Fire and Life Assurance, Guardian Royal Exchange, Legal and General Assurance, Prudential Assurance, Royal Insurance, and Sun Alliance and London *Insurance.*

Meanwhile, as this debate has been proceeding, the investment policies themselves have been evolving in response to the latest turn in the ever-volatile economic climate — the boom in gilt-edged stock issues of high, though declining, interest rates.

During much of this year, as in 1975 and 1976, the insurance industry has been stocking up with high-yielding Government *bonds in a way which has had* a beneficial effect on assured current and prospective income. At the same time, the claims of equity-type investments—the ordinary shares and property seen as inflation hedges, at the opposite end of the investment spectrum — have not been neglected.

The marked accent on gilts has somewhat adjusted the balance between the equity kind of investment — producing in*come which is not guaranteed* but which, it is hoped, will rise in future — and more secure holdings of the fixed-interest type. The ratio of equity (share and property) to fixed yield investments, which for some long-term (life) funds rose to as much as 70 : 30 in the earlier 1970s, has moved back to no more than 60 : 40, or even *50 : 50 or below in a number of* cases.

Concentrated

One leading company which concentrated outstandingly on gilts in 1976 was Legal and General, whose chairman, *Viscount Caldecote, said in his* latest annual statement: "We have taken advantage of [high yields] to increase fixed interest investments in the life funds by £187m., while new investment in property was £17m. and in ordinary shares £5m. Similarly, new investment for the general fund was predominantly in fixed interest securities."

Another concern, traditionally equity-minded, which went in *for* gilts last year was Equity and Law Life Assurance Society.

There can be no surprise over the recent leaning of most investment policies towards gilts, where long-dated yields topped 16 per cent. in late 1976 and even at to-day's lower levels approach 12 per cent., much above comparable overseas *levels. As the insurance asso*ciations say in their evidence to Wilson: "At a time when [a financial institution] could earn, say, 14 per cent. on a risk-free, *highly marketable long-term* gilt-edged security, it had to look for a current or prospective yield higher than this to justify investing in other forms of investment."

Another factor making for some recent tendency towards a shift to fixed interest investment by a number of — though not all — companies has lain in the effect of the solvency rules under the Insurance Companies Act 1974, by which companies must demonstrate the required margin of assets over liabilities, generally reckoning the former by market values. Obviously, keeping to the solvency margin *is easier the lower the pro*portion is of risk-bearing assets such as shares and property, which are liable to fluctuate by value — and can fall — with changing market conditions.

Just how strong have been the shifts, in volatile conditions, in investment by the insurance industry — swings which have provoked many political queries on policy — is shown by overall *statistics. Whereas in the abnor*mally depressed market conditions of 1974 cash was piled up, with buying of no more than £54m. of gilts and £11m. of equities, the pattern changed markedly thereafter.

Gilts took £1.6bn. out of the insurance companies' £2.5bn. total of net investment in 1975 and £1.8bn. out of £2.8bn. in 1976, followed by £1.1bn. out of £1.6bn. in the first half of 1977. Ordinary shares acquisitions absorbed £339m. in 1975 and £227m. net in 1976, much of it through the take-up of rights issues, while £27.7m. was *invested in this way in the first* six months of this year.

One feature which could perhaps cause some surprise is the degree of dealing or switching in holdings. For instance, although net investment in gilts in the second quarter of 1977 was some £400m., this was the difference between much larger total purchases of £1.7bn. and sales of £1.3bn. The £232m. of net investment in the quarter in ordinary shares represented the difference between purchases of £471m. and sales of £239m.

Much of the recent political criticism of the insurance companies has focused on their allegedly inadequate channelling of funds to the industrial sector at a time when industry's capital investment has been at a low ebb. But strong answers *to this are mobilised in the in*surance associations' evidence to Wilson, which underlines the striking fact that the long-term insurance funds net annual investment increased five-fold over the 15 years to 1976.

One point made by the associations to Wilson is that the *insurance companies, so far* from starving industry, hold a much higher proportion of their funds in shares and property than do their counterparts abroad—where of course there is often direction of investment into Government bonds.

The strength of the insurance companies' argument has clearly been buttressed by the general flow of evidence to Wilson so far, which suggests that there is no overall shortage of funds *available to industry, though* smaller companies may have capital-raising problems. As to provision for the latter situation, it is recalled by the *associations that the insurance* companies have participated in such recent ventures as Equity Capital for Industry — the equity bank—and that there is also insurance company backing behind operations run by the Charterhouse Group and the Electra House group for injecting capital into smaller enterprises. Prudential Assurance has joined with the Midland Bank and the British Gas Pension Funds to form Moracrest Investments, also to back *smaller concerns.*

Criticism about the insurance industry's supposed reluctance to provide long-term loan capital to industry evokes this comment in the evidence to Wilson: "It is sometimes said that the fact that businesses in other countries in Europe are more *highly geared than U.K. busi*nesses reflects an unwillingness on the part of the institutions to provide long-term capital. In our view the explanation lies not in a shortage of supply of long-term capital but rather in the reluctance of businesses to take on long-term fixed interest obligations in an era of high interest rates and economic uncertainty."

As to any unwillingness on the part of the insurance companies to invest in particular circumstances or cases, the associations underline their prior obligation to serve the interests of their policyholders. Referring to the controversial drying up of share buying in the market depression of 1974, the associations say: "This was by far the most dangerous economic situation since 1931 and justified real doubt as to whether a number of major companies could survive in a form in which their Ordina[ry] shares would have any sign[ifi]cant value. In these circu[m]stances it is not surprising t[hat] a widespread view develop[ed] among the institutions ab[out] the advisability of building [up] liquidity rather than buy[ing] shares."

Similar principles govern [the] answer to suggestions that th[ere] should be direction of inv[est]ment towards industry. If [the] idea is that this should be d[one] to promote profitable inv[est]ment, it is unnecessary, [is] the reply; if to compel inv[est]ment with inadequate ret[urns,] this would be against [the] interests of policyholders.

Interesting developments [in] the insurance companies' inv[est]ment over the past year h[ave] included one or two m[ore] instances of the purchase [of] investment trusts, an appr[oach] currently popular also [with] some big nationalised indu[stry] pension funds. Prudential [took] over Standard Trust for s[ome] £37m., beating an earlier c[…] from the British Rail Pen[sion] Funds, while Commercial U[nion] acquired for some £50m. Est[…] House Investment Trust. […] Life Assurance Society has t[…] over Artagen Properties. […] Alliance and London Insur[ance] recently announced that it [is] acquiring a portfolio of prop[erty] from Rank Organisation, […] £28m.

Margaret R[…]

Better news overseas

THE RECENT nine-months figures from the U.K.'s largest two composite insurance companies, Royal and Commercial Union, show clearly the massive improvement in the North American underwriting picture *which is dominating the world* insurance scene. Although both groups are still reporting underwriting losses in the U.S., Royal had cut the deficit from *£19.7m. to* £8.8m. by the end of the third quarter, and CU showed an improvement of more than £20m. in reporting a loss of just £4.8m.

Meanwhile Canada showed a huge improvement for Royal, which earns something like a fifth of its world-wide premium *income in that country.* Underwriting profits soared from £1.8m. to £13m., although Royal has not yet provided for the possible intervention of Canada's Anti-Inflation Board which threatens to spoil what might have been a very rosy picture for the insurance industry there in 1977. In contrast to Royal, CU made an AIB provision at the nine-month stage, and showed only marginal underwriting profits.

Australia has provided mixed experience, with Royal indicating lower underwriting profits, while CU has turned round from losses to a small profit—but even CU complains that market conditions are becoming more difficult.

Meanwhile Continental Europe has been affected by worsening underwriting, at any rate in Holland which is where most British companies concentrate their efforts. CU has a large interest in Holland, and its underwriting losses there appear to have represented about three-quarters of its overall world-wide underwriting deficit of £21.6m. after nine months.

But the U.S. is the most crucial area, and here 1977 is *seeing a much needed return to* prosperity for the insurance industry after several years of severe losses, peaking in 1975, which rocked confidence in the sector.

Operating ratios for the whole industry averaged 105 per cent. in 1974, a near-disastrous 108 per cent. in 1975, and still 103 per cent. in 1976. But according to London stockbrokers Rowe and Pitman, Hurst-Brown, the industry will *swing* into profit this year on underwriting with a ratio of 97 per cent., and there could be a further improvement in 1978.

Big premium rate increases in the last couple of years lie behind the underwriting recovery in most U.S. insurance lines. Since 1974 it is reckoned that motor car premium rates have risen by more than half, and there has been a doubling in the liability class which had been especially heavily hit by big court awards for damages.

On top of the impact of these deliberate moves to restore a healthy position the insurance industry has also been benefiting from an unexpected fall in claims frequencies. Natural disasters have been less frequent than usual—with no major hurricanes, for example, while San Francisco has yet to be razed to the ground by an earthquake.

Significantly

Automobile claims have also been significantly reduced. This is something of a puzzle, and to explain it stockbrokers Kitcat and Aitken point to the contrast in Britain where the trend is towards an increase in the number of small claims. It could well be that the higher deductibles recently introduced by many U.S. motor insurance companies are discouraging claims, whereas here in the U.K. *excess levels are tending* to get left behind by inflation. Factors like the level of economic activity and the real cost of fuel also play a part.

How *long will the upswing* in underwriting profitability last? In the past, two or three years of good profits have regularly been followed by a downswing in the underwriting cycle, as good returns have attracted more capital into the industry and competition has prompted rate-cutting.

This time, analysts argue, the *industry will be more cautious* about aiming for growth in volume rather than profits. The experience of *1974* and *1975* was a harrowing one which managements will not forget in a hurry. Much capacity was withdrawn, especially from troublesome specialist lines like product liability, leading to a substantial flow of business across the Atlantic to London — notably to Lloyd's. The industry continues to suffer a nagging capital inadequacy problem.

With premiums rising so fast, the ratio of premiums to surplus has been going up. American insurance companies have not been so successful in raising new equity as have their U.K. counterparts, and high premium to surplus ratios are likely to inhibit premium growth — and therefore competition — for some time to come.

In Canada the underwriting cycle has been running a year ahead of its U.S. counterpart, and as shown by the figures from Royal (which has been pushing up its already large *share of the Canadian market)* there are big potential returns for 1977. But much of these bumper profits may be creamed off by the Anti-Inflation Board.

For the first time this year the AIB's profits-limiting formula is likely to bite into the earnings of most companies, compared with just a handful in 1976. In rough terms, companies are restricted to a return — including investment income — on premiums of just 3 per cent. Any profits over and above this maximum level will be required to be disposed of in some way or other, perhaps by rate reductions or rebates.

At the moment there is still some doubt over exactly what will happen, a degree of uncertainty which is magnified by the different accounting policies of insurers like Royal and CU. Still, on fundamentals the industry in Canada is much *healthier than it was, despite* proposals to nationalise part of the motor insurance business in Quebec. There are signs that U.S. companies are b[eing] attracted back to Canada, [and] insurers which stuck it out [dur]ing the bad times are i[n a] strong position.

Another significant terr[itory] for the U.K. composites [is] Australia, although it [has] declined in importance du[ring] the last few years. From [about] 8 per cent. of world[-wide] premiums its share of the [total] seven U.K. groups' business [has] probably fallen to around 5 [per] cent. After a very bad pe[riod] underwriting profits begar [to] reappear a couple of years [ago,] but Australia has often te[nded] to be plagued by excessive [com]petition and the pressure[s are] building up once again.

Influences

The motor side is perfom[ing] reasonably well, but com[peti]tive *influences are stron[g in]* commercial property insur[ance.] Royal explains its red[uced] Australian profits in term[s of] "growing competition in [the] market."

Although Guardian R[oyal] Exchange has an interes[t in] Germany, on the Contine[ntal] Europe it is the problem[s of] the insurance industry in [Hol]land which most concern Br[itish] insurers. Premium rates [are] often inadequate, either bec[ause] of Government controls or [com]petition. There is a pletho[ra of] Dutch companies besides a [size]able foreign representation.

Big losses are at pr[esent] being made on the m[otor] account in Holland. The D[utch] Government is holding [down] rates, and it permitted incr[eases] of only 8 per cent. at mid[-year] when the companies wa[nted] more like 20 per cent. A fu[rther] rise may be allowed in Ja[nuary,] but the insurance comp[anies] are not optimistic that it [will] be adequate.

Viewed globally, the i[nsur]ance industry tends to s[uffer] from the regular problem[s of] excessive competition, poli[tical] controls on premium levels, [and] nationalisation. All these [diffi]culties are visible in va[rious] countries at present. Fu[rther] problems of inflation and [weak] capital markets have been [en]countered in recent years. [But] the U.S. insurance industr[y is] now looking healthy once a[gain] and given *its prime import[ance]* in the world context, [this] counts for a great deal.

Barry Ri[…]

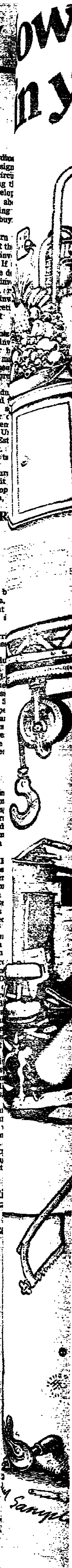
Turn

CONTINUED FROM PREVIOUS PAGE

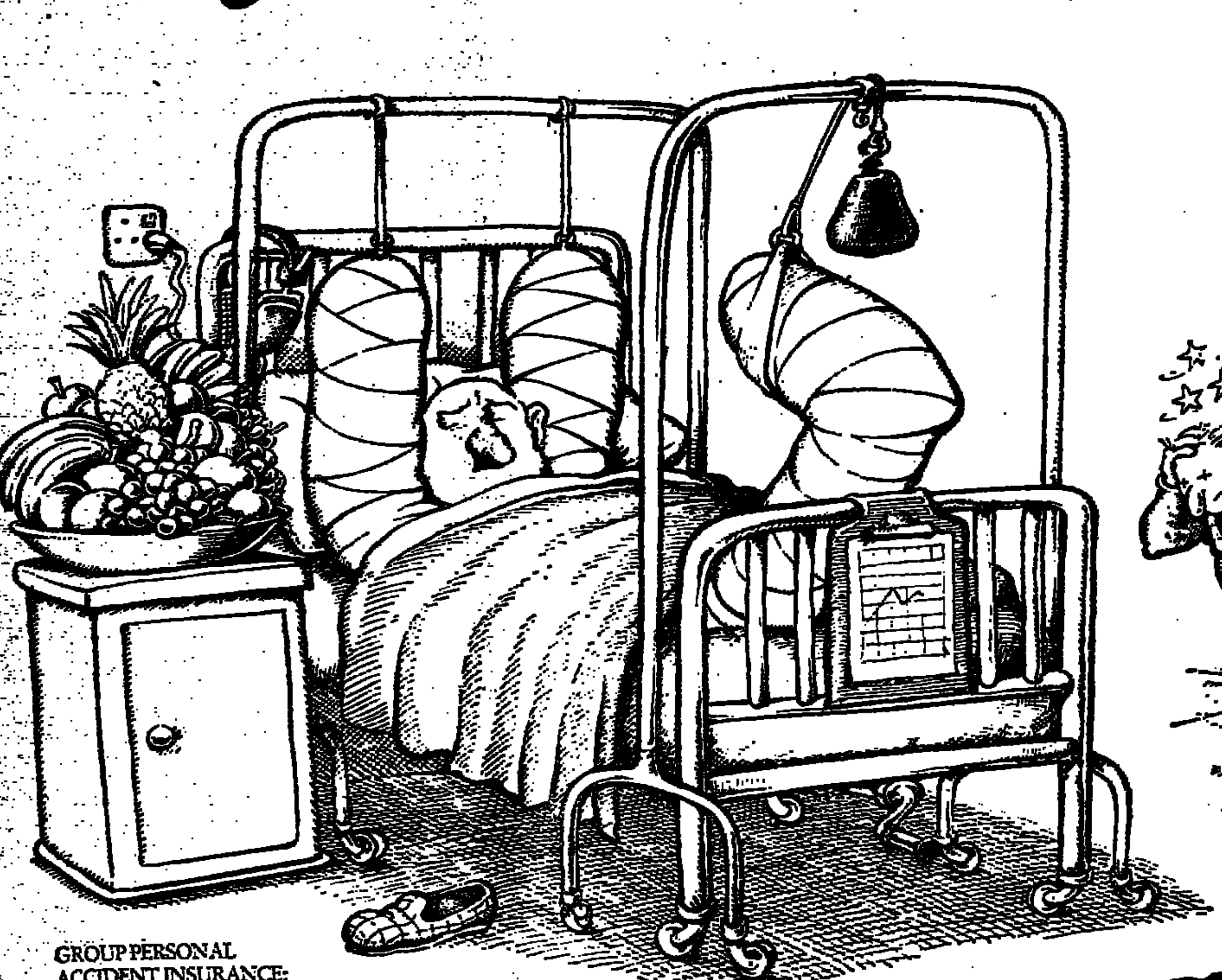
life business rising by 22 per cent. to £341m. There was a significant recovery in unit-linked business after two years when sales remained in the doldrums, with single premium business virtually doubling to £158m. Life business from overseas sources, up to now a very small portion of overall business, showed an increase last year of 32 per cent. in premium income to £762m. By the end of the year the total value of life funds had risen to £26.3bn.

The control of life and other insurance funds is the prime reason for the Labour Party's proposals to nationalise the seven largest insurance companies. This nationalisation proposal is now official Party policy, although other elements in the Party and the trade unions would prefer investment direction. The latter have placed the blame for lack of investment in the manufacturing industries firmly at the door *of the financial institutions.*

The evidence by the British Insurance Association and the life company associations to the Wilson Committee has made it very plain that investment has to be made in the light of the liabilities of insurance companies and that the prime purpose of these *companies is* to invest for security. The BIA, normally the most reticent of bodies, has embarked on an extensive advertising campaign to get this message over to the general public. Perhaps with hindsight it should have done this years ago.

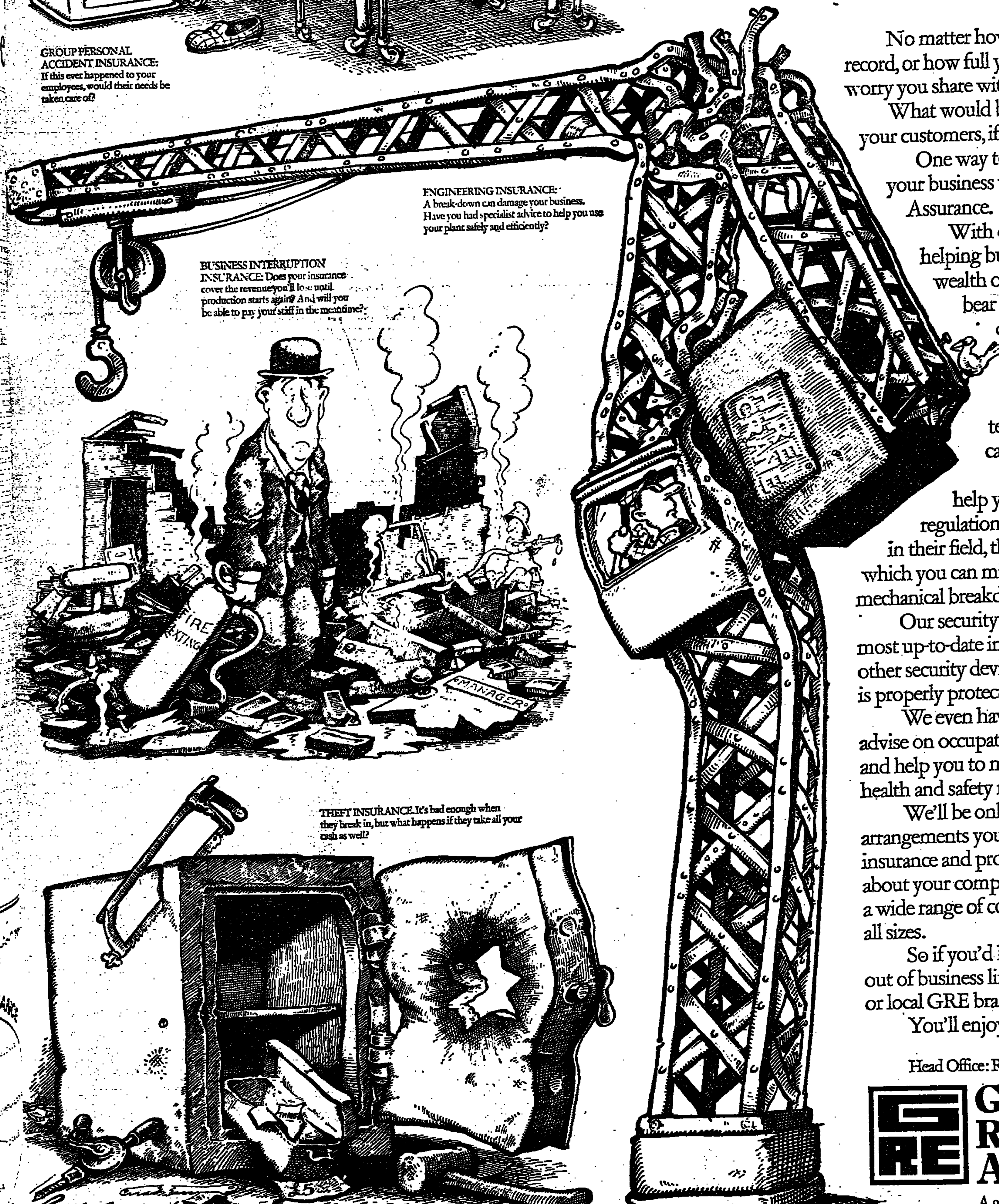


How you overcome these problems in your business is our business.



GROUP PERSONAL ACCIDENT INSURANCE: If this ever happened to your employees, would their needs be taken care of?

COMMERCIAL VEHICLE INSURANCE: If one of your delivery vans ends up like this, how quickly is it back in action?



ENGINEERING INSURANCE: A break-down can damage your business. Have you had specialist advice to help you use your plant safely and efficiently?

BUSINESS INTERRUPTION INSURANCE: Does your insurance cover the revenue you'll lose until production starts again? And will you be able to pay your staff in the meantime?

THEFT INSURANCE. It's bad enough when they break in, but what happens if they take all your cash as well?

No matter how good your company's profit record, or how full your order book there's one worry you share with every other businessman.

What would be the effect on your business, your customers, if the unexpected happened?

One way to lessen your worries is to insure your business with Guardian Royal Exchange Assurance.

With over 250 years of experience in helping businessmen we can bring a wealth of expertise and knowledge to bear on the problems your company could face.

We have experts in fire prevention who can advise on the very latest protection techniques and the most sophisticated equipment.

Our engineer surveyors can help you comply with statutory regulations for industrial plant. Specialists in their field, they can also suggest ways in which you can minimise the risk of expensive mechanical breakdown.

Our security experts, with knowledge of the most up-to-date intruder alarms, safes, locks and other security devices, can make sure your business is properly protected.

We even have safety specialists who can advise on occupational and environmental hazards, and help you to meet the requirements of current health and safety regulations.

We'll be only too happy to advise you on the arrangements you'll need to make for staff insurance and protection. And if you're concerned about your company pension scheme, we have a wide range of contracts to suit companies of all sizes.

So if you'd like to take some of the worry out of business life contact your insurance adviser or local GRE branch.

You'll enjoy doing business with us.

Head Office: Royal Exchange, London EC3V 3LS

GRE Guardian Royal Exchange Assurance

A good name to insure with.

Overcapacity in marine sector

THE BASIC problem which continues to affect the worldwide marine insurance market is severe over-capacity resulting in intense competition for many types of risk. The struggle is to secure business by so many competing markets has resulted in premium rates dropping to levels which are likely to prove uneconomic. Curiously, at the same time there are some peak risks, such as North Sea production platforms, where the entire world market cannot provide sufficient capacity.

Of course, if these peak risks could be absorbed, the overcapacity for the "bread and butter" business would be even more severe. It is essential for underwriters to have a goood spread of risk, and it is this basic requirement which has led to so much competition.

Platforms

At the moment, the cover provided by the worldwide insurance market for the more expensive oil production platforms in the North Sea may be in the region of, say, \$600m. to \$650m.—with, perhaps, a gross figure of 50 per cent. of that amount being written in the Lloyd's market. Often, however, those who are insured would like cover of up to \$800m. or more—if it were available. Perhaps in the future rather more help may be available from the non-marine market. While on occasions the marine market has helped the non-marine market with capacity problems there has not been a great deal of business in the opposite direction.

At the moment insured values of vessels are still below \$200m., even for the latest liquefied gas carriers. There is considerable competition for fleets of vessels and for cargo business. For hulls, it is unlikely that the overall premium income will prove sufficient when the last of the claims has been met. While cargo insurance does not have a long "tail," rates of premium have been driven down to levels where little or no premium is being secured to meet the "catastrophe" type of claim which can be expected to occur.

While those who are insured might prefer less volatility in premium rating, insurance experience tends to be cyclical. Some years ago, after a profitable period, there was an influx of new insurers anxious to write marine business. To secure business they had to quote competitive rates. The big question is how long this somewhat inexperienced element will remain in the market. Some, for instance, may have taken the view that, with high rates of interest, profits could be made from investing premiums before they had to be paid out as claims. Such insurers, however, may not have appreciated the long period over which claims are likely to be paid.

Naturally, in the cut-throat conditions which exist, it is not always easy to pin down those responsible for so much hull business being written at premiums which are likely to prove too low. The London market is often blamed. While the phrase "London market" is convenient, it consists of the established traditional marine insurance market, consisting of underwriters at Lloyd's and the old-established offices in this sector, together with many other companies. Some of these are relative newcomers, and an increasing number of overseas insurers are establishing London underwriting offices.

The result is that a single marine underwriter in London (not necessarily writing for one of the traditional marine insurers) may quote a rate which would not be acceptable to much of the rest of the market. This rate, however, may then be described to overseas insurers as having been quoted by the London market. Not being aware of the exact situation, overseas insurers may be quite willing to write the risk at the same rate. The London underwriter may have been able to arrange reinsurance on favourable terms.

One of the problems in the marine market, therefore, is that there are too few underwriters willing or able to assess risks for themselves. Many are prepared to follow others blindly, without knowing the full story. This, inevitably, creates weakness within the market.

Sometimes it is argued that brokers now have too strong a bargaining position. While no underwriter is obliged to accept a risk, established underwriters in business for the long term cannot simply let the business drift away. They must remain in the market, writing a reasonable volume of premium, even if they know that rates are too low.

It is not always appreciated that some large brokers, quite apart from their traditional broking, accept business on behalf of one or more overseas insurance companies. Clearly, in some circumstances this may add some strength to their broking negotiations with the market.

The traditional marine market, therefore, knows that business is being written too cheaply, but must weather the storm. A certain amount of business has been allowed to go elsewhere, and individual underwriters do not always agree on the best course.

Members

For underwriters at Lloyd's the capacity problem has been made more serious by the large influx of new members, with a record number expected to start underwriting on January 1 next. Traditionally, new members have joined both non-marine and marine syndicates. While their capacity is needed on the non-marine side, increasing the size of marine syndicates adds to the problems for underwriters.

On the hull side currency fluctuations have caused plenty of problems in the past. While premiums may have been paid in one currency, repair costs may very well have been incurred in another, and the of the repairs may have been creased not only by inflation also by currency fluctuati For the companies there be some easing of the situat since the major internati brokers are to start accoun in Deutschemarks, Fre francs, yen, Dutch florins Swiss francs, which are major insurance currencie addition to sterling, U.S. Canadian dollars in which miums have been paid in past. Other currencies ma added to the list in the fu

While there may be ad tages in not having these rencies converted into ster it is unlikely that the in ment earnings will be as g from foreign currencies as f sterling. Underwriters Lloyd's will continue for time being on the old basi accounting.

Looking to the future, s marine underwriters can s glimmer of hope. Some mar for instance, have taken tougher line in refusing to w business at rates which consider uneconomic. The sl reduction in interest rates cut investment income, thus could have quite ser repercussions for those insu who set out to write premium (and underwri loss) on the back of investm income. Perhaps as encou ing as anything for the ma market is the tougher which has been taken by a r ber of reinsurers. There is l doubt that the relative ease which reinsurance could arranged encouraged man write business at low rate premium.

Some shipowners shopped around in the che markets a few years ago l since had their doubts a some of the security. An claims build up, some of t who entered the market so thusiastically a few years may decide either to withc gracefully or to co-operat stiffening the market.

John Gas

Lean motor account

OVER THE PAST year U.K. motor premiums have risen by around 15 per cent. on average. However, as the end of the year draws near it looks as if the insurance companies underestimated the cost of underwriting. General Accident's recent nine-month profit figures indicated that the home motor account had shifted into the red. For drivers it adds up to the prospect of another round of price increases in the new year of 15 to 20 per cent., despite a shrinking inflation rate.

One of the real problems for the U.K. insurance companies is the competitive nature of the motor market. Even at the best of times overall underwriting results show a very small profit. For example, in 1976 members of the British Insurance Association, which together account for about 86 per cent. of the U.K. motor market, made a profit on underwriting of a mere £1.7m.—a paltry 0.2 per cent. on net written premiums of £748m.

Worked

Still, that looks quite respectable in comparison with the £31.3m. loss in 1970. In retrospect many blame the poor results at the beginning of the decade on Vehicle and General which, holding perhaps an eighth of the market, artificially held down rates. Others had to fall in line, but as time proved it did no one any good. V and G collapsed and the other companies immediately phased in some rather hefty premium increases in order to get the account back into the black. It worked, and by 1973 the BIA members returned a £12.7m. profit. But there was a dramatic decline in 1974 and by 1975 there was a loss again.

It is still a very competitive market. In part this is because of the effect of the media. Magazines such as Which? and Drive bring rates for the various companies right under the consumer's nose. Motor premiums are fairly hefty in comparison with house insurance or a basic life cover and so the consumer makes a determined effort to get the best deal available.

It might be wondered why all the companies are not putting up their rates in order to make a reasonable level of profit, and how is it that Lloyd's underwriters are able to make a reasonable return from their motor business. The answer to both questions is closely related—it is all a matter of investment income. The companies would like to make a pure underwriting profit, but in the figures that the Association releases no account is taken of investment income.

The premiums provide a good cash flow for investment. In 1976 BIA members saw worldwide general business premium income increase by £1.4bn. to over £6bn. There was an underwriting loss worldwide of £146.3m., a very poor return until one takes into account investment income of £631m. for a net surplus of £484.7m.

Meantime the 39 syndicates at Lloyd's include investment income within the published figures. For example in 1974—Lloyd's closes its account three years in arrears—premium income on the motor account was £89.4m. and there was a profit of £14.4m., or a return of 16 per cent. This figure was boosted by investment income of £3m.

Premium income is not the only answer to the difference. In 1974 the BIA companies made a U.K. profit of only £1.8m. on premium income of £507m. whereas the Lloyd's straight underwriting result would be some £11.4m. The other factor which boosts the Lloyd's results is its own selective attitude. Traditionally the syndicates steer clear of the more risky motor business, though they have taken on a lot more private motor insurance over the last few years following the Vehicle and General crash.

However, Lloyd's, like the companies, is facing tougher times, and Mr. K. Joughin, chairman of Lloyd's Motor Underwriters Association, predicted last September that premiums would have to rise 15 to 20 per cent. in 1978. General Accident, which is the largest single force in the U.K. motor market, agreed with that view, and if anything the figure "will be nearer to 20 per cent. than 15 per cent."

Frequency

There are two reasons why the motor account for 1977 has been under pressure. The cost of servicing claims is increasing; even more worrying, the frequency of servicing claims is increasing. Figures published by the BIA shows that the rate of increase in spare parts in the 12 months to last July was 13 per cent., but body parts have been rising at a faster rate than mechanical spares, and the former is the most important factor in all but the most serious motor accidents. Garage labour rates over the same period were up nearly 12 per cent. while prices of new cars rose by over 28 per cent. and of used cars by 18 per cent.

In addition the courts take into consideration inflation when calculating any loss of earnings capacity caused by injuries and payments for the loss of an amenity (for example an arm) tend to stay level for a while and go up in steps. Court awards now appear to be moving a step higher.

But from talking to the insurance men it is obvious that it is the increasing number of claims that is mainly worrying them. In the early part of the year the number of claims had gone up against the comparable period by something like a fifth. The spring did not see expected slowdown, and th it has steadied out since rise to date is probably ne an eighth — insurers are cerned, not least of all bec they cannot pin point the c

Several theories are put ward, but two seem the tenable. Motorists are begin to "feel the pinch" like other consumer and there might be more willing to p a claim and worry about bonuses later. More impo is that the price of petrol stabilised and thus bec relatively cheaper. Mil could be on the increase with it a proportionate ris accidents. What would alter trend is a sharp rise in p costs. Assuming that does happen it looks as if moto wil see premiums stea rising next year.

Terry Gar

هكذا من الأصل

Share ratings reassessed

OMPLETE turnround in ncial climate since last has led to re-ratings nsurance shares. Up to dle of this year, the clear among them was the sector. The composites cond and the life offices third.

remendous run by the especially in 1975 and as due to the fact that emed ideally placed to e crises of those years. ere well placed to meet inflation rates because ns, and hence commis- nerally rose with prices. r, while industrial com- ad to finance increased nd debtors, the brokers ne of the former and ly little of the latter.

second crisis was the level of interest rates. le this was destroying nded conglomerates and y companies, the brokers thrived on it as they made excellent returns on their cash balances.

And then the sterling crisis, which hit those companies who had borrowed "cheap" Swiss francs and Deutschemarks to finance U.K. operations, was actually a boon to the brokers. A large part of their income came from abroad whereas most of their expenses were in devalued pounds.

Solvency

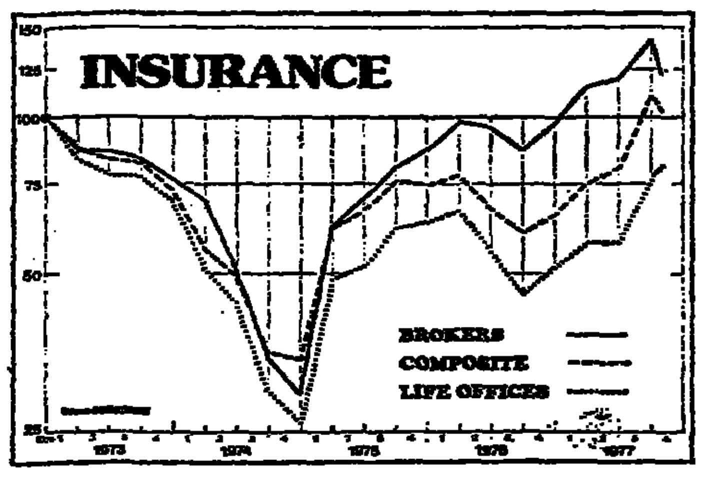
The composites, meanwhile, were much less well placed to meet these emergencies. Inflation, in particular, brought them down. If the premiums were allowed to grow with inflation at 15 to 25 per cent. then the net assets had to also, or else the solvency margin would deteriorate. There is no way that an increase in net assets of that order could be achieved out of retained profits and so there had to be rights issues. The rights issues in turn over-supplied the market in composite shares and the rating suffered.

The rise in interest rates took its toll insofar as it was part and parcel of the fall in stock-market values. This had the effect of actually reducing net assets at a time when a substantial rise was needed. The shock which this gave the composites has been reflected in a reduction of their exposure to the equity market. Unfortunately, while this may be prudent, it probably means they will be less profitable in the future than they otherwise would have been. Equities are still better at pursuing inflation over the long term than fixed interest securities.

But in the last 12 months, the whole financial background has changed and the relative attractions of each sector have altered correspondingly. Interest rates have come crashing down, sterling has recovered its poise and the inflation rate has been reduced.

The stars of the bull market, the brokers, have lost their glamour since their ability to face up to the crises of the recession now carries less of a premium. For a while their share price performance was sustained by the rush of American business coming through them to Lloyd's. But now that rush is slackening off and in the last few months the shares have come back quite sharply.

The position of the composites has been more ambiguous. True, the slowdown in inflation and the rise of the stockmarket has eased their capital adequacy problems and the underwriting cycle has been on the up, especially in North America. However, the fall in interest



rates is a mixed blessing for the composites. Although it has led to the stockmarket rise it will also slow down the growth in investment income. This process may be delayed because of heavy buying of long-dated gilts lost winter but it will come in due course unless interest rates go up again.

The composite sector was none the less performing quite well in the stockmarket until the £74m. rights issue by Commercial Union. The market did not like this issue one little bit and insurance analysts, normally quite calm and affable types, were to be heard muttering angrily that such an issue was quite unnecessary. Commercial Union, which has had a terrible time in recent years, is thought by many to have been greedy in tapping the stock market for more funds. As a result the rating of the whole sector has suffered. If there is one lesson that investors should have learnt in recent years, it is to avoid the composites if they do not like forking out for rights issues.

In contrast, the life offices come to the market for new money very rarely, and currently they are regaining popularity. Premiums are expected to move ahead on the basis of a recovery in real disposable incomes next year and the new life in the property market. Also encouraging is the amount of business coming from companies which are contracting out of the State pension scheme — and the attention which has been focused on pensions recently has led to a lot of reorganisation and topping up of existing schemes.

The question now is whether the adjustment to the changed circumstances has gone far enough. Stockbrokers Grieveson Grant believe that the revaluation of life offices has further scope since their position has not been so fundamentally attractive for over five years. Wood Mackenzie goes along with this view, with the proviso that the industrial life assurance companies are less attractive. But while the life offices are agreed to be in the middle of a good run, the composites and brokers are more difficult to evaluate.

James Bartholomew

Impact of regulations

INSURANCE industry through the financial of 1973-74 relatively ed. Unlike the case of ks, there were never any ions that the pillars of istry were crumbling on undations. Where insur- companies did hit prob- however, they stemmed xactly the same sources s of the secondary bank- ystem; an inadequate of assets and—at a time psing markets—insuffici- rigorous valuation ures.

weaknesses in the ce industry have, how- been considered to be ible of standardised ratic correction of a which no one has yet led to apply to the banks. the provisions of the ce Companies Act 1974 a consolidation of the ce Companies (Amend- Act 1973—the Secretary for Trade has extensive to regulate the industry n some directions he has ed them; notably in the ment of new regulations valuation of assets.

tection

addition, the problems hit some of the life com- in the wake of the 1973- nancial crisis pushed the ment into making some on for the protection of olders' investments a company collapse. vely that provision was d of the industry with ssage into law of the olders' Protection Act

years after the passage 1973 Act—which gave form to the regulatory granted in the Insurance Companies Act 1968—it seems pertinent to enquire what have been the results of this surge of bureaucratic activity. Has it, as some insurance companies—particularly the Scottish Life offices—claim, required more work of the companies, increased their expenses, and produced very little tangible benefit? Or has it put the fear of the Department of Trade into the shady operators, strengthened with its legal powers the moral fibre of those whose business it is to value insurance companies' assets, and made the world a safer place for the policyholder?

Certainly the volume of work imposed upon the companies has increased. The chief general manager of one small life office reckons that since the passage of the Insurance Companies (Valuation of Assets) Regulations 1976 he now has someone working half a day a week simply on providing the Department of Trade with the additional information which it requires; that, out of a total staff of 50, is a not insignificant addition to the expenses of running the business. He accepts that the Department of Trade is making use of the figures which he provides, because he has had queries on them. But the queries have not come through until several months after the presentation of the figures.

However, if that suggests that the Department of Trade's exercise of its powers, though well-meaning, continues somewhat ineffective, the Department's annual report for 1976 suggests otherwise. As the report revealed, the Department used its powers to intervene in the affairs of insurance companies far more frequently in 1976 than was the case in the preceding year. Formal intervention was undertaken on 38 occasions, as against 31 in 1975. But in 57 cases, as against half that number in the preceding year, companies were persuaded to undertake remedial action—by raising new capital, or in some cases by a change of ownership which itself permitted a strengthening of the capital base.

None of those companies has, however, been identified—for obvious reasons. All the same, the cloak of confidentiality effectively means that it is impossible for anyone outside the Department to judge the effectiveness of its monitoring procedures. No-one knows—or ever will know, unless there is another failure—how far the rot goes before the Department intervenes.

Negative

That being the case, the results of the Department's activities have to be judged in the negative—by the absence of troubled insurance companies—rather than by the positive contribution which its regulatory functions make to the health of the industry. It is possible, however, to identify one or two specific areas—in addition to the increase in work and the increase in costs—where this flurry of bureaucratic activity may have worked to the detriment of the industry.

There is too the question of whether the new regulations will handicap new companies trying to break into the industry. It is not simply a matter of their directors satisfying the Secretary of State for Trade that they are fit and proper persons to conduct insurance business, or even of the stringent requirements on new business forecasts and the volume of information which the Department requires from the company in its opening years. There is also a solvency margin required for authorisation which effectively debars all but those companies which have heavy financial backing from entering the business.

Obviously there are some arguments in favour of a stiff financial barrier against new entrants into the business—it deters the fly-by-nights. But it may also reduce the level of legitimate competition and curb potential innovators—and that is not necessarily a good thing, even for an industry as conservative as insurance.

Adrienne Gleeson

low progress in Europe

TIVITY was the sole e of progress, then har- tion of insurance within ropean Economic Com- should now be an lished fact. But despite toing and froing within s, very little has been d towards the harmonisa- non-life insurance ser- as regards practical tions.

ugh the lack of progress ppointing, it cannot be to be unexpected. For isation of insurance harmonisation of two e philosophies regarding ce operations. The insur- stems in the U.K. and operate on a procedure dom from Government ence unless things go In the other EEC coun- n contrast Government operates at all levels.

irective on the freedom lishment of non-life in- services has been d by the Economic and Committee. It goes before ropean Parliament next and there is every hope will be approved by the this year or early next. this hurdle has been it goes to the Council of rs' working party.

while there has been rable chafing at this lack ress, and last March the overnment inspired a rial directive requiring mmission to report in 12 on the progress made harmonisation. Whether ll produce any speeding he snail's pace remains l. The Dutch and Italian nents have still not pro- he necessary legislation d to implement the first ating directive for non- tablishment, while the erman Government has cted. For the first time rance operations in that , it has brought transport ce under Governmental thereby imposing re- s that did not exist It certainly was not the aim of the directive to impose restrictions on existing freedoms.

Another possible reason for the slowness is that the directive as such is not likely to make much difference to the present modus operandi of insurance companies. U.K. companies have been operating in Western Europe for decades and will continue to do so unless actively deterred. The continental insurers have been introspective in outlook since their formation, their overseas business remaining a small proportion of the overall insurance portfolio. The immediate effect of the directive will be to regularise an existing situation and move towards a common supervisory system. In this respect, the powers conferred upon the Department of Trade by the Insurance Companies Act 1974 are far more sweeping than any system operative in the other EEC countries. The DoT so far has not used them to any great extent.

Outlook

The vision still held by some insurance people of a grand European insurance market as the dominant force in world insurance would appear to be several years away. Harmonisation is a necessary step towards this goal, but its fruition will need a change in outlook from the Europeans in particular.

The position as far as life business is concerned is that the life directive has got completely bogged down. It has been with the Council of Ministers working party since 1975, and no progress appears to have been made on three outstanding issues. The first relates to specialisation. In the U.K., the concept of life business being one branch of a composite is common practice, whereas in other EEC countries life and general are two separate operations. A U.K. composite can either do general business in the EEC or life business, but not both unless it separates both sides of the business vis-a-vis the Norwich Union set-up.

The second and possibly most intractable problem concerns the recognition of the U.K. type of solvency margin. In the U.K., the margins implicit in the actuary's assumptions for the valuation of assets and liabilities are accepted by the authorities as providing a solvency margin. With other EEC countries, the solvency margin emerges as an explicit margin following a statutory valuation prescribed by law.

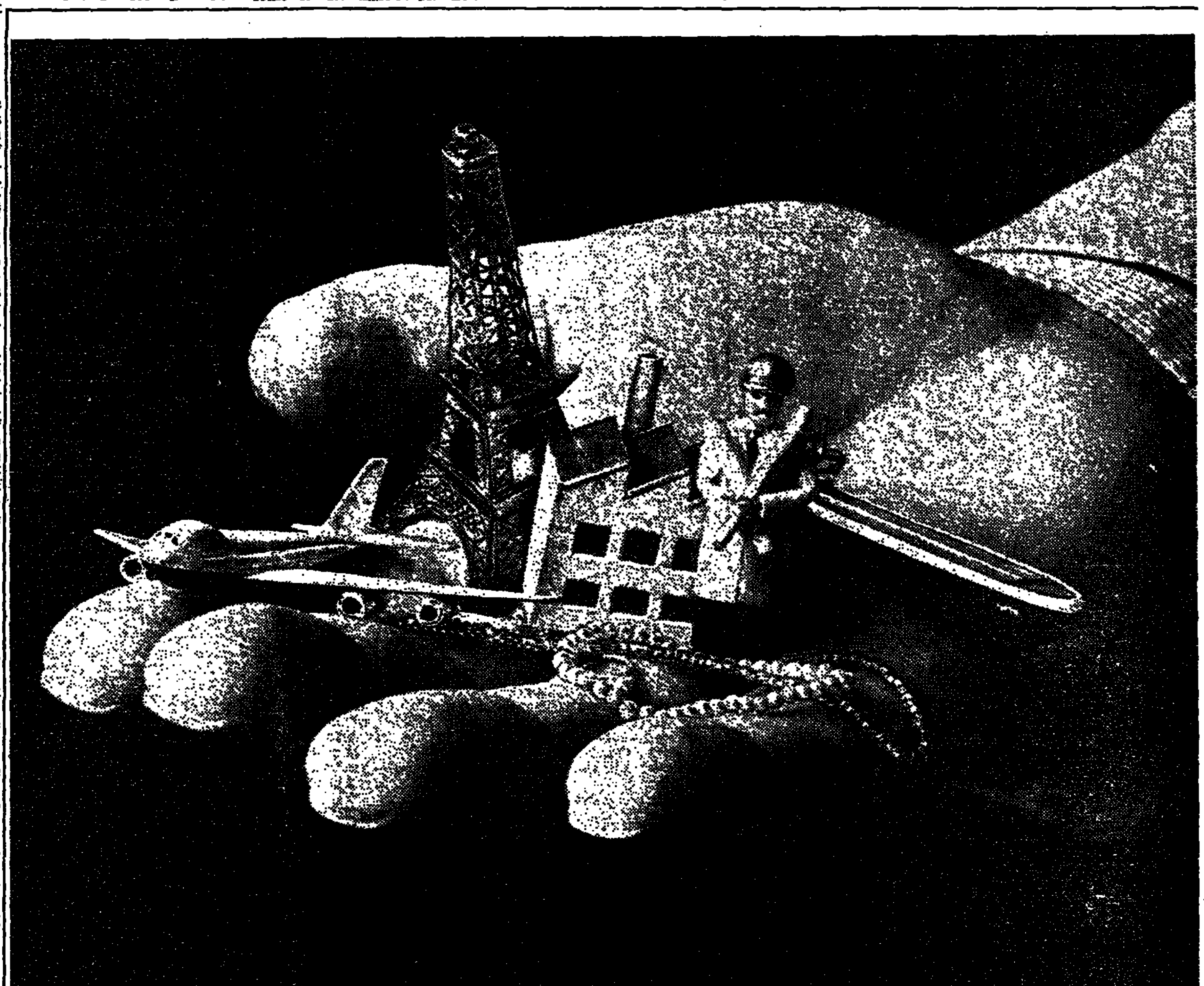
Finally, there is the problem of ascertaining whether solvency margins should be determined net or gross of reassurance.

However, the amount of life business coming from the EEC is growing steadily. Last year, premium income from Europe totalled £195m., compared with £18m. at the time of joining the EEC. Most of this growth arises from acquisitions by U.K. groups of existing businesses.

The directive providing for freedom of services was finalised last December and comes into force next June. This means that brokers and other intermediaries can set up in EEC countries, providing they fulfil the necessary basic qualifications. This represents a large step forward, but it does not mean complete freedom from brokers until there is freedom of establishment. A U.K. broker, for example, can set up in West Germany, but he will only be able to place German insurance risks with a German insurer. What he wants is to be able to place the risk worldwide if necessary.

This directive again will regularise the position. The major U.K. brokers already operate effectively in the EEC by agents, contacts and reciprocal agreements. Lack of harmonisation has not kept them out of Europe in the past. Nevertheless, the way has been made easier for moves towards complete liberalisation of insurance within the EEC.

Eric Short



Quiet confidence at Lloyd's

THE DAYS when Lloyd's went to some lengths not to talk to the rest of the world are gradually being left behind. Individual members may still be somewhat reticent in discussing their business, but the institution itself, as its evidence to the Wilson Committee last week clearly indicated, is only too happy to discuss its functions in the insurance market.

Like the other financial institutions, of course, Lloyd's has *an interest in preventing its* case from going by default—more of an interest than most perhaps, because *it still retains* something of the character of a rich man's club. Hence the high-*flown claims for the benefits* which the operations of Lloyd's confer on its policyholders in *terms of security and flexibility* of underwriting skills and on the public at large in terms of a *competitive alternative to the* big insurance companies and a very big contribution to invisible earnings. Lloyd's takes some 75 per cent. of its premium income in foreign currencies, and its contribution to the country's invisible earnings has risen from £14m. in 1965 (the first year for which figures are available) to £279m. in 1976.

All this emphasis upon the greater good has not, however, prevented Lloyd's from putting in a grave if muted plea as well for the sectional interests of its members. *Any steps taken by* the Government which affect, or threaten to affect, the existence *of privately held capital are, it* claims, "inimical to the interests of Lloyd's and, hence, to the *contribution that Lloyd's makes* to the community."

It is a curious fact, however, *that despite the real threat to* privately held capital from both economic recession and egali*tarian legislation over the past* few years, there are no signs at all that Lloyd's is suffering yet. On the contrary, indeed, applications to join reached a record level this year, and there will be just under 4,000 names on the book at the beginning of 1978.

That should do something to solve the problems of under-capacity, insofar as it still exists, in the non-marine market. The situation here has eased since Lloyd's revealed 15 months ago that it was turning away busi*ness for lack of the capital base* to support it. In profit terms the non-marine market seems to *have hit its nadir last year, when* the disastrous experience of 1974 (taken in during 1977, under Lloyd's three-year accounting system) produced a loss of £5.2m. for this market as a whole after allowing for investment income.

That loss reflected not only a series of the physical catastrophes against which much of the underwriting in this market is done but also the effects of the 1974 financial crisis in the U.S. Rates were plainly inadequate, and they have hardened since—though not yet enough, according to Mr. Charles Skey, chairman of Lloyd's Non-Marine Underwriters' Association. As of now it looks as though the underwriting loss will have been reduced during 1975, and that the next set of figures to be reported from the non-marine market will show a profit — *thanks in part to capital gains* made in the gilt-edged market. But Mr. Skey reckons that the *recovery still has some way to go, and claims that it is essen*tial that underwriters continue to take a hard line on rates, "*for only out of worthwhile* profitability will true long-term additional capacity emerge."

In the marine market the problem has been not under-capacity but the contrary. With the level of business in any case diminished by the slump in the shipping markets, too many underwriters have been chasing such business as there is to make for a healthy rate structure. Last year the marine (and the small aviation) account at Lloyd's showed a profit of £72.4m., but whether that will have been maintained into the next accounting period remains to be seen.

Compete

Some Lloyd's underwriters have been turning business away rather than compete at rates which they know to be unprofitable. But the tactics to be *adopted under such circum*stances are a source of contention, particularly for those underwriters who specialise in marine business. Except where the underwriting can be done at rates which are holding or even improving—in the case of some modern tonnage — the choice lies between using money to make a loss or not using it at all.

Not that in the case of Lloyd's *syndicates there is ever money* standing idle. The beauty of membership is that on the con*trary money is generally used* twice over—once to earn investment return, whether through *the premiums trust fund,* the reserves, or as part of the "show of wealth," and once as the *capital base supporting* twice its level of premium income (1½ times in the case of overseas members).

Any tendency to rely upon investment income for the profits rather than the underwriting, is, however, something which Lloyd's deplores — and with good reason. Taken to extremes it could lead to disaster. As it is the institution's record is highly cyclical, though it is rare to have a downturn — or for that matter an upturn such as that seen in 1973 — in most classes of business at once.

Inflation and the fall in the pound—obviously an important factor when so much premium income is derived from overseas — have exaggerated the cyclical trend over the past decade. Within that period Lloyd's has been into the red by £38m. (after other debits and credits as well as the underwriting balance) in 1965, and into the black by £110m. (on the same basis) in 1973. A *stronger pound* and continuing inflation between them mean that the latter spectacular performance *is unlikely to be repeated in* the near future.

Inflation is, indeed, a serious problem for the motor market at the moment, and the chairman of the Motor Underwriters' Association has already promised an increase in rates of between 15 and 20 per cent. in the New Year to compensate. Rate increases are a feature of the aviation market too—but here, as with the marine market, underwriters have been running into resistance, and some business has gone elsewhere.

Lloyd's underwriters may temporarily put out by the l of revenue which a loss of bu ness entails, but there are signs of any real desponde in any of the markets in wh they do business. They have much confidence, not merely their own skills and their o financial strength, but in th reputation for such skills for such strength. Certai there are no signs that the C poration of Lloyd's is in a thing but an expansive mooc

Part of the administration recently been moved out Chatham, and a bevy of ar*tects have been in to look* the "Old Building" in L Street, preparatory to produc *a selection of schemes for* creasing the underwriting o space. It will be the best of a year before such sche are produced, and then the w has to be done. In the m time the increase in mem ship—to almost 15,000, th to this year's recruits—is li to make the existing tra floor busier still.

Adrienne Glees

Expanding life market

THE LIFE assurance industry in the U.K. is growing; it is also developing. In terms of sheer statistics the new business returns speak for themselves. The number of traditional *life assurance* policies sold in 1976 was 2.35m., which is at a rate 6½ per cent. up on 1975, *but 12½ per cent. higher* than in 1972. More significantly, the premiums on the new annual business last year amounted to £239m. and £208m. for single premium contracts—gains of 24 per cent. and 94 per cent. over the previous 12 months.

The figures relating to the fast-expanding unit-linked side of the industry are perhaps even more impressive, *though* on a lower base. New policies issued last year amounted to 474,000—a 16 *per cent.* jump over 1975 and 26 per cent. improvement on 1972. New annual premiums leaped by 132 per cent. over the five years span, but single premium business, while almost double the 1975 total, actually dropped over the period. This reflects the fall from grace of the single premium bonds (property, equity and managed bonds), which caught the public's *imagination in a big way in* the late 1960s early 1970s and which now appear to be re*gaining their popularity.*

But aside from just physical growth, gratifying as it is, there *has been a fundamental shift in the structure of the business.* The first unit-linked policies broke on to the scene in the early 1960s pioneered by groups like M and G. The mantle of growth was taken up by Abbey Life and later Hambro Life which sold millions of pounds worth of unit-linked business. They were joined by most of the major unit trust groups.

What they added to the life assurance world was a dramatic change in marketing methods. Aggressive selling through newspapers, by direct sales forces and brokers' sales forces produced phenomenal growth. *What it also added was not* a little bad feeling in some quarters over the commission rates *being offered to agents to attract* the business.

In terms of structure, too, it *meant that* policyholders' returns were geared to the performance of specific underlying assets: not just property or equities, but the specific properties and shares. This naturally has applied whether those assets have risen or fallen. There has been no actuarial influence to smooth out the bumps.

Naturally, the overall impression created is that the unit-linked policy is in some way more risky than the traditional with-profits policy which pays bonuses through thick and thin. Some would argue, therefore, that unit-linked has taken nothing away from the traditional camp, but has merely added a new dimension to the business.

The coming of age of the unit-linked policy has really occurred quite recently. The traditional offices, which have consistently ignored the unit-linked upstarts throughout the growth period, have finally been won over. Offices such as the Phoenix produced unit-linked contracts some *while ago and that* particular organisation strengthened its grip with a take-over of the small and highly respected Property Growth Assurance group—one of the early leaders *in the property bond market.*

Notice

But the exercise which has made everyone sit up and take notice, and which has probably prompted some of the other more recent entrants to participate, is the success of Vanbrugh—a subsidiary of no less an institution than Prudential Assurance.

Selling exclusively through insurance brokers (apparently *this rule is adhered to 100 per* cent.), Vanbrugh has been described as the fastest growing *life assurance company in the* entire business. In 1976, its single premium business was up by 300 per cent. and this year a further gain of 40 per cent. is confidently anticipated.

This sort of growth is impressive even for the giants and others have followed, such as Sun Alliance and Legal and General.

One view taken appears to be that if that is what the public wants, then it is only sensible and commercial to satisfy that need. In other words, they *cannot afford to be left bel* by old prejudices.

Now that the two roles of two types of policy have bec more clearly discernible, also accepted that they ca offered in tandem by the office. The unit-linked com is rather more exciting offers a slightly specul element. But it will neve place the traditional p which is indispensible whe comes to providing a ca sum for, say, retirement o a widow. Since the value unit-linked contract is volatile and will fluctuate the stock market, prop gilt-edged, or whatever a the policy is linked to, it is unsuitable for such a se purpose.

The only factor that is li to change that view is if actuarial profession come with a suitable formula guaranteeing maturity val a problem that has had tied up in knots for some With the stock market, property, even gilt-edged, subject to wider swings, it problem, particularly where assets are so exactly mat to policies, to estimate wh a sensible reserve.

The actuaries may well to the conclusion that the no answer. The way to sn out the dips and be in a tion to give maturity guara is to slice some of the gai the top in a bull market tuck them away for a rainy But to do that would ruir beauty of a unit-linked con and turn full circle, ending up with traditional linked life policies that a all intents and purposes same. And after all these ing-pains there does not a great deal of point in th

Keith Le

New era in pensions

NEXT APRIL sees the start of *the new State pension scheme* as set out in the Social Security Pensions Act 1975. It heralds *the dawn of a new era in pensions,* since the scheme brings earnings-related pensions for *everyone except the self-*employed, for whom this scheme does nothing. It has several direct implications for the life assurance industry.

One central theme of the Act *was the partnership between* State and occupational pension schemes. Employers can contract-out of the earnings-related portion of the State scheme and provide earnings-related pensions through a company pension scheme. The life assurance industry has for many decades provided a complete pensions service to employers—offering a viable alternative to the self-administered scheme.

All indications are that many employers intend to contract-*out of the State scheme and* provide pensions through a company scheme. A survey by the Company Pensions Information Centre estimates that at least 11,000 schemes will be contracted-out and a high proportion of these will be with a *life company.* The future of the life assurance industry as regards providing pensions looks bright. Several *life com*panies have reported increased group pensions business at the *half-yearly stage this year.*

What does a pension scheme through a life company offer *the employer seeking to provide* or continue his pension arrangements? In the first place it *provides him with an expert* advisory service. The 1975 Act, like most legislation these days, is extremely complex, made even more so by the efforts of the pensions movement, in which the life companies played a significant role, to ensure that the employer was not entering an open-ended commitment in setting up his own pension arrangements. It needs full-time experts to explain the Act and its consequences to employers.

The large- and medium-sized *companies can afford the ser*vices of a pensions consultant or a consulting actuary to advise them. But the smaller employer has to rely very much on the advice provided by the life companies. Most, if not all, life companies spent several months training their pension inspectors in the intricacies of the new scheme and ensuring *that each client had the alter*natives fully explained.

This in itself required a con*siderable effort.* The contracting-out terms are finely balanced so that each case has to be looked at individually before advice can be given on whether to stay in or come out. Life companies have a myriad of small pension schemes on their books—mostly a legacy from the Boyd-Carpenter graduated scheme—providing very low levels of benefit. Each of these schemes needed to be dealt with *separately* to discover the employer's intentions.

Some life companies have not *hesitated to advise employers* to remain in the State scheme where it was in their interests *to do so. The leading pension* companies—Legal and General, Prudential and Standard Life—*have been advising small com*panies, usually with less than 25 employees, to stay in the State scheme.

The *most* notable change in the pensions field has been the awakening interest in pensions by employees and a growing involvement by trade unions. Under the Act employers have to consult with their employees and unions over the decision to contract-out. The experts have been very much involved in this consultation process.

The next service offered by *life companies in the company* pension field is administration. Company pension schemes are *set up under a trust deed. The* benefit levels have to be approved by the Occupational *Pensions Board to ensure that* they conform to the minimum requirements for contracting-*out, while the Superannuation* Funds Office of the Inland Revenue has to agree that the *benefit levels do not exceed its* limits for tax purposes.

It is an administrative maze *in which the unwary can easily* get lost. The life companies, through years of experience, have learnt how to cope quite effectively with pensions administration. A significant proportion of schemes which have already received their contracting-out certificates are schemes arranged by Standard Life, a company which got its benefits structure and trust deeds sorted out with the OPB comparatively early. The Legal and General is now offering administration services to self-administered schemes.

Once the new State scheme gets under way the administration systems that have been set up are *likely* to undergo severe strain and problems will inevitably arise. This aspect of the new pensions arrangements *has* tended to be overlooked. But as the starting date draws *nearer there is a growing* feeling of apprehension about the administration aspects, and *fingers are being crossed.*

The growing member involvement mentioned above will *likely result in much more* information being given to employees. Regular benefit statements *are going to be the norm.* The life companies, with their computerised systems, should be able to meet this increasing demand by employers for more information.

Finally, the life companies provide an investment service for the employer, possibly the *most vital function of life com*panies. Bad or indifferent investment in pension funds can result in employers having to pay heavily for mistakes. The investment expertise offered by life companies is derived from decades of active participation in the investment field.

Since benefits are now linked to final salary or revalued average salary, pension liabilities will rise with inflation. *Furthermore, since such liabilities* are funded over the working life of an employee, contributions have to be invested in assets whose value will match salary and price inflation. This

CONTINUED ON NEXT PAGE

Impressive record in invisibles

INSURANCE industry has several years been the st single earner of the invisible earnings—as the eas income of financial ntions is known—and as it has made a growing con- tion to the balance of pay- s. The expansion over the couple of years has cer- y been remarkable but now is less certainty about the ects than in the recent

e impressive record of the decade has been achieved ite of intense and growing etition from overseas ance centres. However, continuing importance of eas business for London as orld insurance centre is n by the fact that at nt about two-thirds of non- premiums come from d, while the proportion is than three-quarters for d's underwriters. The ing insurance brokers also n the majority of their ness from abroad.

e net earnings of the in- nce industry—including ers and Lloyd's as well as panies—grew from £296m. £606m. between 1970 and according to the Govern- t's statistics in the annual Book on the balance of ents. However a later nate by the British Insur- Association of the earnings nsurance companies in 1976 much higher than earlier rnment estimates at £307m., er than £173m., with the re- that the total net insurance ribution last year is nated at £740m.

is represents a 150 per increase in net insurance ings since 1970 compared a rise of more than 180 per in the period for the total earnings of the City (faster average growth came from ing and commodity ng). Nevertheless insurance accounts for 44 per cent. of City's total invisible earn- and on its own is equiva- to about 15 per cent. of the lus earned on visible trade ll manufactured goods.

e rapid growth in the last le of years has been helped the fall in sterling which had an immediate effect on pts from abroad, and by the ct of higher inflation on premiums and by higher invest- ment income resulting from generally high interest rates. In 1976, for example, the net earn- ings of insurance as a whole rose by more than 60 per cent. and there has been continued, though less spectacular growth this year.

A survey at the beginning of the summer by the Committee on Invisible Exports indicated a 25 per cent. rise in the net overseas earnings of the major U.K. service industries during 1977. It specifically referred to bright prospects for insurance brokers and companies, though this must be qualified compared with the buoyant optimism of a year ago.

There are three distinct categories of contributor to the earnings of the insurance sector —the companies, Lloyd's and the brokers. The companies are the most important and accounted for £307m. out of last year's total of £740m.; this con- sisted of £44m. from under- writing on overseas business written in the U.K., £190m. from direct investment in the form of profits from overseas business written outside the U.K. through subsidiaries and branches, and £73m. from port- folio investment. The Lloyd's contribution last year was £279m., of which £249m. came from underwriting on overseas business in the U.K. and £30m. from portfolio investment. The brokers earned £154m.

Sources

As these figures imply, there are a number of different sources of earnings from over- seas business. The first consists of the income from trading operations in the form of profits and losses. The underwriters— whether insurance companies or Lloyd's syndicates—receive the premiums for the risks taken on the portfolio out of which they must meet their expenses and then pay claims arising from that business.

This business is either under- taken as an overseas risk written in the U.K.—Lloyd's solely operates in this way—or is passed through subsidiaries in the country where the business originates. The latter is, for example, one of the main sources of income for the U.K. composites, notably in the U.S.

Secondly, the insurance sector earns money from investments held overseas — either by the companies or by Lloyd's. This arises from premiums which are invested until the claims have to be paid, and there is usually a long time-lag. In addition, investment income is also re- ceived on reserves held abroad — for example, on Wall Street. The investment income of the companies is relatively much more significant at £73m., com- pared with £30m. for Lloyd's, because of the much larger reserve funds. In both cases, investment income rose sharply in 1975 and 1976 benefiting from the generally high level of interest rates in most indus- trialised countries.

The third main source of the insurance sector's overseas earn- ings arises from the overseas trading activities of the insur- ance brokers. Their involvement overseas has expanded rapidly in the last decade and since 1970 their net earnings from overseas have risen by more than three times. The brokers are direct beneficiaries from the impact of any decline in the value of the sterling on premiums income and also from the impact of in- flation. The recent good results of both the brokers and Lloyd's has also reflected a recovery of the North American market with good business again being written on profitable terms.

The different sections of the industry have varying views on prospects, as was spelt out in a speech on the outlook for 1977 by Sir Francis Sandilands, the chairman of Commercial Union. He pointed out that the com- panies were generally confident about a rise in earnings during 1977 because of increased investment income, a general expansion of business and better underwriting results.

However, Sir Francis noted that the most controversial item was the effect on earnings of the falling value of sterling with some companies thinking it would be positively harmful and others believing it would help. It is necessary to dis- tinguish between the short-term and the long-term effects.

Sir Francis pointed out that, "while in the short-term a falling pound increases the value of overseas earnings in sterling terms, in the longer- term there are very consider- able risks for insurance com- panies which can still occur. . . . This is because insurance com- panies are not allowed to con- vert assets from sterling into foreign currencies to match fully their overseas liabilities. This has caused substantial foreign exchange losses for some companies in the past."

However, the problems caused by the growing volume of business carried out in foreign currencies were recognised by Government in the recent relaxation of exchange control regulations. Insurance com- panies, in common with banks and merchants, are now being allowed to retain rather larger amounts of foreign currency as reserves. For insurance com- panies, the changes have meant that they will be able to match fully their liabilities in foreign currency with external assets as against 75 per cent. allowed up to the recent change.

Caution

The fall in sterling has also affected Lloyd's underwriters. Although premium income has been initially increased there has been caution about the longer-term impact when losses come to be paid—accounting for the calls for the further expan- sion in the capital base of the syndicates.

Little improvement has been foreseen in marine and aviation while the motor business has been adversely affected by the pressure on the capital base caused by the effects of infla- tion on premiums within the U.K., leading to a cutback on overseas business. The pros- pects appear to be rather better for Lloyd's general non-marine insurance.

The best growth performance and outlook has, until earlier this year, been among the brokers. As discussed earlier, they have been the major initial beneficiaries of a fall in the value of sterling. However, the sharp recovery in the pound during the past year has signifi- cantly eroded this bull point for the brokers, as has been reflected in their relative share price performance. Moreover the slow rate of growth of world trade is also a limiting factor for the sector generally in spite of the marketing drives of many companies.

Peter Riddell
Economics Correspondent

Fire hazard alert

STAGGERING increase in cost of fire over the years been giving considerable e for concern both in in- ty and the insurance sector. firemen's strike can only to the headaches.

deed industry could well be g on a powder keg. While umber of fires are unlikely e any higher during the e, the extent of the ge caused is bound to more severe. After all the taken by the makeshift rews to reach the scene of fire is naturally taking er while the fire fighting ment available is not only limited but often out of date.

Having said this there has not been any major fire, apart from that at the power station at Tilbury, since the firemen started their industrial action. As such the British Insurance Association, while obviously ex- pressing concern over a pro- longed strike is not unduly worried at this stage of the proceedings. But one major fire could soon change the picture.

The insurance sector is clearly hoping that industry and the private sector shows a greater awareness to the risk of fire which together with a greater increase in new business—since the strike was intimated there has been a noticeable increase in fire insurance particularly from the householder—could serve to check the possible rise in rates. Increased insurance premiums by way of a greater volume rather than higher rates is naturally more accept- able all round. The fire statis- tics to date tends to show that industry and the private sector is taking more precautions. The insurance companies themselves have also become more active stepping up their advisory services both out in the field and in their numerous branches.

Environmental changes have, after all, been putting an even greater strain of the various fire protection authorities and it should be a matter of course that industry steps up its efforts to combat this growing threat. The need to become more com- petitive in industry had led to larger factory and warehousing complexes which together with the expansion in such areas as the petro-chemical industry have led to an even greater potential risk factor and the pos- sibility of another catastrophe on the lines of Flixborough should never be forgotten.

Advisory

The insurance industry does, however, put a considerable amount of effort into the elimi- nation of fire risk. The insurance companies and Lloyds provide the bulk of the finance for the Fire Protection Associa- tion. The FPA is a central advisory organisation providing technical and general advice on all aspects of fire protection. In turn the FPA co-ordinates the Fire Liaison Panels which are spread through the U.K. These panels consist of members from the insurance companies and the fire fighting services.

The amount of information already published by the FPA is very comprehensive. In-depth analysis of fire risks has been carried out in particularly vulnerable industries and the findings together with the most efficient ways of eliminating the risk are produced in booklet form.

Progress has also been made by the insurance industry, through the FPA, in setting up some form of guidelines in building designs and the material used. And the Royal Institute of Architects has in- corporated design to combat fire in its teaching.

However, despite these closer links with industry and the architects the cost of fire damage remains at disturbing levels. The latest monthly figures issued by the British Insurance Association which cover September reveal an estimated cost of £18.7m. This figure was £4m. higher than the previous month, but £2½m. lower than for the previous comparable month. This brought the total for the year to date at £166.1m. which is about £22m. lower than at this stage in 1976.

The latest detailed figures available are for 1975 and these show that the engineering sector suffered more than any from the damage caused by fire. There were some 99 fires cost- ing more than £20,000 with the total damage at £17.2m. The textile industry suffered from 45 fires with the total damage at £14.1m., while there were a staggering 163 fires in miscel- laneous services such as restaurants, cinemas and public houses and the total cost here came out at £11.6m.

Overall there were 1,152 fires costing more than £20,000 in 1975 accounting for £128m. out of a total of £213m. The average cost was £111,000 while there were 16 fires costing over £1m. These figures themselves are distressing enough reading but even more so is the fact that over 40 per cent. of all fires are started deliberately by children and adults. What is more these are only the cases where it can be proved that malicious damage took place. Malicious damage is regarded as the chief growth area.

While the figures for the cur- rent year so far do suggest a reasonably encouraging trend, there are bound to be a few anxious moments in the insur- ance sector while the current dispute continues. But at least the BIA was bold enough to state in the last monthly figures that industry and commerce appeared to be responding to the association's plea for a greater attention to fire dangers.

David Wright

Pensions

CONTINUED FROM PREVIOUS PAGE

ot an area for the amateur theme chosen by Mr. Ross ey, doyen of pension fund stment managers — at a t pensions' conference.

e companies provide invest- services in many forms. e employer has an insured ne, where benefits have a mum guarantee, then the tments are held in a com- pool—a mixture of equities, interest and property. The on the fund can be used crease benefits or reduce ibutions or both. But such nes do not mean that the company accepts the infla- risk.

t many employers like to nvolved in some aspects of tment strategy, or at least their investments easily d. The life companies now te managed funds on a sed basis, so that the on scheme makes its tments by purchasing the red number of units in the priate funds. Some life anies offer a complete of funds — equity, erty, fixed-interest, cash and ture of all four. Other life anies just offer a mixed

e employer has the choice nvestment media and life anies will discuss invest- strategy with him. But clients give life companies discretion as to the invest- management. The use of managed funds has also meant that self-administered pension schemes can do some or all of their investment in such media, making use of the investment expertise of the life companies. The property funds have been particularly sought after — the Legal and General property fund now exceeds £200m.

In contrast, the self-employed get nothing from the State beyond the basic pension, and have to make their own pro- vision. The most tax-efficient method is through a pension contract with a life company. The contributions get tax relief at the investor's top rate, invest- ment is made in a tax-exempt fund and the ultimate pension is taxed as earned income, with the valuable option to commute part of the pension for a com- pletely tax-free sum.

There is a wide range of con- tracts available to the self- employed — conventional con- tracts with high level guarantees or linked to units of a variety of funds. This type of individual pensions business is booming as the self-employed become more pensions- conscious. The life companies, both traditional and unit-linked, are reporting buoyant sales this year, following a successful year in 1976.

E.S.

Integral role for the broker

INSURANCE IS a complex subject, requiring first an assessment of the insurance requirements, then arrangement of the necessary cover and finally settlement of any claims that may arise. This process is applicable whether it is a massive oil rig or a private house that is to be insured. The services of a professional intermediary are usually needed and often they are essential. The insurance broker, large and small, is an integral part of the modern insurance operation.

Yet up to now there has been no control over the insurance broking profession. Anyone can set up as an insurance broker, irrespective of qualification, expertise, financial status or integrity. In dealing with company insurance problems anyone without the necessary expertise or financial backing will not last very long. But where the general public is concerned the way is open for abuse and bad advice. In fairness, it should be pointed out that the service provided by brokers has in general been excellent. The few cases of dishonesty or incompetence that have been reported have tended to convey the wrong impression of the overall state of the profession.

But now the profession is going to be subject to control. The Insurance Brokers (Registration) Act 1977, which became law in July, will impose a discipline on the profession and set out minimum standards for persons and organisations wishing to trade under the title of insurance broker. The Government gave the insurance brokers the chance to regulate themselves and they took the opportunity with both hands. Now, thanks to the efforts of Mr. Francis Perkins, chairman of the British Insurance Brokers Association (BIBA), and Mr. Jack Page, the Member of Parliament who sponsored this private member's Bill, the brokers have now got a self-regulating system under the eye of the authorities.

Under the Act, all those wishing to trade as insurance brokers will have to register with a special Registration Council composed of 17 members. Of these 12 are appointed by the BIBA, with one of them as chairman, and the other five are appointed by the Secretary of State for Trade. Included among the latter members are a solicitor, an accountant and a consumer representative.

The responsibilities of the Council include the laying down of educational standards and minimum experience qualifications, the setting out of minimum financial standards and the drawing up of a code of conduct for brokers. It will also be responsible for ensuring that the necessary financial accounts are prepared so that an adequate financial status can be examined. All persons registering will have to show that they have the required professional indemnity insurance. It is empowered to raise a fund to reimburse the public in the event of the failure of a registered broker by means of a levy on all brokers.

The object of this registration procedure is to ensure that when anyone deals with someone trading as an insurance broker, he can have confidence that the broker has the necessary qualifications and experience to advise on insurance, that the business is run on sound financial lines and that the broker is offering sound unbiased advice. The public will also know that they will be compensated for any losses if the broker makes a serious mistake leading to financial loss, or if he absconds or goes insolvent.

Code

But as far as the public is concerned, the code of conduct will be all important. It is not yet known precisely what it will contain, so final judgment will have to be reserved. But the code must ensure that the broker will at all times put the client's interests before his own.

Brokers may protest that they have always done this. But in life assurance it is perhaps significant that since the commission scales were changed last year, resulting in much lower commissions being paid for whole life non-profit business, very little of this type is now being sold. From time to time cases have been brought to light, usually in the Press, revealing where brokers have been receiving very high commission rates for channelling business through one company.

A code of conduct can only be meaningful if offenders are punished rigorously. The Registration Committee is empowered to establish a sub-committee that will investigate complaints and if a breach of the code is proved take disciplinary action. This can include the ultimate sanction of removal from the register, in effect taking away the means of trading under the title of insurance broker.

The Act makes it an offence for any one to trade under the name of insurance broker or a similar description unless they are registered, so individuals cannot ignore registration and carry on as at present.

Critics of the Act have claimed that this is a charter for the big insurance brokers and that the small broker will only be able to operate as a grace and favour act from the big boys. Mr. Francis Perkins and his staff have been at great pains to refute this suggestion. They insist that each application will be handled on its merits. The BIBA appointments to the Registration Council show that there are small and medium brokers represented as well as large.

What is not known at present is just how many persons will actually register. At the moment there are about 3,000 members of the four professional insurance broking bodies and it is expected that most, if not all, will register. The unknown quantity remains those individuals who trade as insurance brokers, but who have never bothered to join any organisation. They may decide to register and comply with the standards. They may, however, change the title under which they trade and carry on as before.

The brokers will only have themselves to blame if this system fails through persistent abuse. The procedure should ensure that the consumer gets a professional service from an insurance broker without stifling him with restrictions. [illegible] the other end of the scale, t[illegible] broker getting overseas busin[illegible] can continue to operate in wh[illegible] is a very tough market withe[illegible] any further burdens bei[illegible] imposed from the U.K. autho[illegible]ties.

The other notable feat[illegible] within the insurance brok[illegible] industry is that the four existi[illegible] professional bodies ha[illegible] decided to wind-up and lea[illegible] just one body—BIBA—as [illegible] brokers' professional organi[illegible]tion. The structure of the BI[illegible] is to be a series of regio[illegible] committees, with a high deg[illegible] of autonomy to deal with lo[illegible] matters. The central bo[illegible] would deal with such matt[illegible] as talking to governments, ho[illegible] and overseas, and to ot[illegible] sections of the insura[illegible] industry.

Sufficient

Brokers will not have to j[illegible] BIBA in order to trade [illegible] insurance brokers. Registra[illegible] is quite sufficient and it is [illegible] a condition for registration [illegible] applicants should join. [illegible] new body will have [illegible] demonstrate to brokers tha[illegible] can provide a service for th[illegible] and that there are advanta[illegible] in belonging to a professio[illegible] body. BIBA has already set [illegible] a committee to deal with [illegible] problems of small brokers [illegible] present evidence to the L[illegible] inquiry on small businesses.

But insurance brokers [illegible] only one important sector [illegible] insurance selling. If the ai[illegible] to provide consumers with a [illegible] deal in insurance matters [illegible] the direct selling insura[illegible] intermediaries need to be or[illegible]ised. The Government has [illegible] put its plans for control of [illegible]ployees and agents of insur[illegible] companies in its White Pa[illegible] the idea being that the [illegible]panies should be prim[illegible] responsible for these staff. [illegible] response from the British [illegible]surance Association and the [illegible] Offices Association has [illegible] lukewarm to say the least. [illegible] the consumer will not be [illegible]tected if only one sector o[illegible] intermediaries is regu[illegible] while the others continu[illegible] operate as before.

Aviation business

THE WORLD aviation insurance market is at present characterised by increasing competition for the available business, with the result that rates are tending to drift downwards, although the premium income itself is increasing as world airlines introduce greater numbers of bigger and more more expensive jets.

Figures issued by Lloyd's show that in this situation aviation insurance business is only marginally profitable. From 1948 to 1974 (the latest full year for which figures are available), aviation insurance premiums paid to Lloyd's members rose from just over £6m. to about £139m., reflecting the growth of the world air transport business in that period. Aviation insurance claims also increased substantially, however, and in 1974, the claims amounted to close to £134.4m., or some 96.49 per cent. of net premiums.

Serious

In this situation the London insurance market is concerned lest there should be either another "Tenerife" situation (in which two fully-laden Jumbo jets collided on the ground), or a succession of accidents involving large airliners. At a time when any single accident of this nature can wipe out up to half of the gross premium income, a succession of such accidents would create a serious situation indeed for the world's insurance markets.

One way out of the problem would be for the underwriters and insurance companies to raise the premiums paid by the airlines. But this is easier said than done. Throughout the world there is considerable competition for the available business, especially from countries whose insurance markets have not traditionally specialised in aviation business but which now see in it the possibility of future profitability as world air transport continues to expand in the 1980s and beyond, albeit at a slower rate than in the halcyon days of the 1950s and '60s. This competition is driving premium rates down—a situation to which many of the airlines themselves do not object in the light of soaring costs in all other areas of civil aviation.

There are signs on the horizon, however, that some of the other major aviation underwriting markets besides London recognise the dangers in this situation, and would like to see a reversal of the trend. The U.S. market in particular, while continuing to fight for as much business as it can get, sees that further significant reductions in premiums could be damaging in the long term to the whole aviation industry.

But so widely dispersed is the market that it is almost impossible for individual underwriters and companies to put rates up without risking loss of business, while it is equally difficult for individual syndicates to achieve an international agreement on the need for an increase in premium rates. At best, it seems that the London market itself must continue to seek business wherever and whenever it can get it, while conducting in parallel a behind-the-scenes campaign to improve premium income through higher rates.

In this situation much interest focuses upon the overall world aviation accident rate. This appears to be improving. According to the most recent annual report of the International Civil Aviation Organisation the number of fatal accidents to scheduled passenger airliners per 100,000 hours flown, at 0.15, was the lowest for 20 years. In terms of passengers killed, 1976 was not a good year, however, with 726 fatalities, but it was still considerably better than the worst years of 1974, when 1,299 were killed on scheduled services, and 1972, when 1,402 were killed. So far as the current year is concerned, the accident rate in terms of hours flown appears to be improving, but the Tenerife accident may well worsen the overall passenger fatality figure.

The effects of Tenerife on the world aviation insurance market have still not been fully felt. While the two airlines have been reimbursed for the loss of their aircraft, there are still outstanding various passenger liability claims which may take a considerable time to settle, and the total insurance bill for Tenerife may run to hundreds of millions of dollars. While the world insurance market is geared to cope with one such accident every few years, there is no question that the present profitability of the market is so marginal that it is doubtful whether it could cope with even one wide-body jet accident annually, without some increase in premium income.

This point is particularly important, since the trend in the world airline industry is increasingly to re-equip with new wider-bodied jets, each carrying more passengers, while phasing out the older narrow-bodied aircraft. It is significant that in recent years the overall number of scheduled jet airliners in the world commercial airline fleet has remained fairly constant between the 5,000 and 6,000 aircraft level (at the end of 1976 it was 5,597), but within that total the number of wide-bodied jets has risen substantially, with over 300 Boeing 747 Jumbo jets, over 140 Lockheed TriStars, and more than 230 McDonnell Douglas DC-10s in service. The trend for the future is almost certainly going to be an increasing number of passengers carried in wide-bodied jets, especially on long-haul flights.

There are other concerns over the whole question of safety, however. One of these was voiced by Mr. Knut Hammarskjold, director-general of the International Air Transport Association (IATA), at the world airlines' recent annual meeting in Madrid.

Efforts

He pointed to legal developments in some countries which are reducing the effectiveness of the IATA's own safety-information scheme, upon which depends the airlines' own efforts to improve safety by getting to know all the causes of various accidents. Mr. Hammarskjold said that the past need for a plaintiff to prove "negligence" in an accident appears to have been replaced by the principle that any accident arises through a "mistake," and the courts merely have to sift the evidence and nominate one person or persons "guilty" of the mistake. "This 'doctrine of infallibility' has led to a situation where airlines are reluctant to submit accident reports because these may be subpoenaed as evidence of a prior mistake that is now being remedied," said Mr. Hammarskjold. "According to 'doctrine,' the mistake should never have occurred in the first place."

"Secondly, airlines' service bulletins are becoming so guarded in their language that they are difficult to interpret. Any explicit references to design weaknesses and appropriate remedies would be damning according to the 'doctrine.' The pursuit of improved safety standards and procedures for air transport is unquestionably aided through the exchang[illegible] information and experie[illegible] among carriers. It is imper[illegible] that legal barriers to [illegible] activity must be removed, [illegible] declared.

Yet another increasing ar[illegible] interest in aviation insuran[illegible] that of "product liability i[illegible]ance"—the need for air[illegible] and manufacturers of ever[illegible] smallest components to take [illegible] insurance against the possil[illegible] of litigation against them i[illegible] event of an accident. There [illegible] been cases of aviation acci[illegible] where the cause, by mea[illegible] increasingly sophisticated [illegible]tific investigation techni[illegible] has been attributed to [illegible] failure of a minute part [illegible] aircraft instrument—rend[illegible] the instrument manufac[illegible] liable to heavy damages.

To counter this, aviation [illegible]duct liability insurance is [illegible] becoming big business, wit[illegible] London market once agai[illegible] of the leading proponents [illegible] class of activity. At a time [illegible] the damages involved in [illegible] accident can run to hundre[illegible] millions of dollars, especia[illegible] the case passess through [illegible] U.S. courts, more and mor[illegible] lines and manufacturers [illegible] deeming it prudent to [illegible] themselves in this way.

Finally, a new class of avi[illegible] insurance business is op[illegible] up, in satellite insurance. [illegible] the first communications [illegible]lite, Early Bird, was launch[illegible] 1965, the number of satelli[illegible] all kinds launched into [illegible] has risen substantially, [illegible] likely to go on increasi[illegible] new uses for these device[illegible] found.

Some of the individual [illegible] programmes are [illegible] enormous sums — the [illegible]national Intelsat V progr[illegible] of satellites for world tele[illegible] and telecommunications, [illegible] example, is assessed at $[illegible] or more than the whole [illegible] Western world's insurable [illegible] lite programmes up to the [illegible] 1970s. The insurance [illegible] loss of just one satellite [illegible] substantial — some $29[illegible] paid out, for example, [illegible] days of the European [illegible] Agency's Orbital Test Sa[illegible] (OTS) being destroyed [illegible] after launch. One major [illegible] broker, C. T. Bowring, h[illegible] up a subsidiary, C. T. Bo[illegible] Space Projects, to unde[illegible] specialist work in this [illegible] which is seen as having [illegible] unlimited potential in the [illegible] ahead.

Michael D[illegible]
Aerospace Correspo[illegible]

مكرامن الأصل

SOCIETY TO-DAY

BY JOE ROGALY

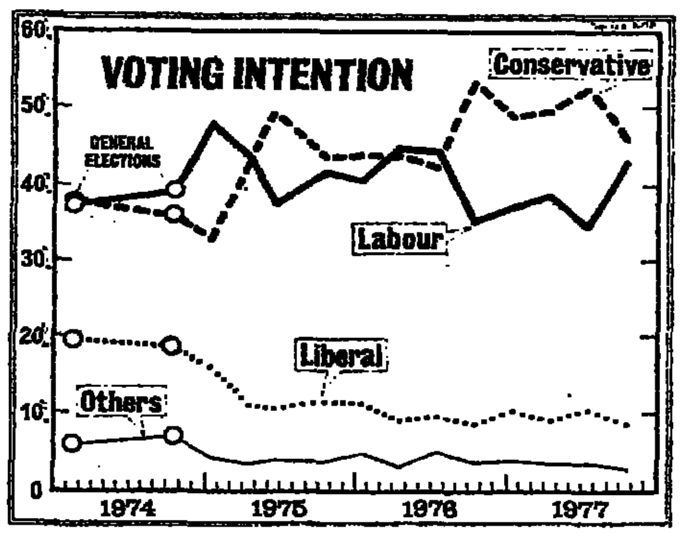
Who needs the Tory Party?

Mr. Biffen (left): liberal economics and outward-looking patriotism. Mrs. Thatcher: they do not represent party policy.

QUESTION has to be [...]: what is the purpose of [the] Conservative Party? One [possi]ble answer was given by John Biffen M.P. on Sun[day]: "a vigorous and successful [conservat]ism can only be built out [of a] fruitful inter-marriage of [liber]al economics with an out[ward-]looking patriotism," he [writes] in a new pamphlet en[titled] *Political Office or Political Power?* "There is an ob[vious] and appealing link be[tween] self-reliance at home and [natio]nal confidence abroad," [he w]ent on.

[Sin]ce the pamphlet is graced [with] a foreword by Mrs. [Marg]aret Thatcher, it might be [imagi]ned that Mr. Biffen's for[mula]tion can be taken as a des[cripti]on of what Tory policy [actua]lly is. If that were so the [voter]s could say to themselves, [at l]east there is a choice"—[and t]hen they could settle down [to de]cide whom they wanted to [vote] for.

[As] we all know, the truth is [that] there is no such choice. [Mrs.] Thatcher describes the six [...] *speeches that make up* [the p]amphlet as a contribution [to de]bate. "They do not neces[sarily] represent party policy." [One] can say that again. Mr. [Biffe]n's "outward looking [patri]otism" has more in common [with] the palliative offered by the [Prim]e Minister to the anti-[Mark]eteers in the Labour Party [than] it has with what has until [now] *been mainstream Tory* [opini]on about the European [Comm]unity. His "liberal eco[nomic]s" is a part of Sir Keith [Jose]ph's dream machine; it is [a] strong feature of "*The* [Right] *Approach to the* [Econo]*my,*" which is the official statement on such matters. [On]ce again, therefore, one [asks] "what is the purpose of the Conservative Party?" Before explaining why the answer must be, "pre[cious] little, so far as I can see," [it] is perhaps worth setting d[own] a disclaimer about the Labour Party. In common with a substantial minority of the voters (the abstainers, the don't knows, the nationalists, the Liberals, the shoulder-shruggers, the disenchanted) I see no great source of inspiration in either of the two major parties.



Stagnant

It is true that about a year ago the Labour Government stopped banging the country's head against a brick wall, but its positive achievements are minimal. Our industrial production has been more or less stagnant since the present Government came to office: it is still at the level of the three-day week. One's distaste for the attitude of some Conservatives towards, say, Mr. Ian Smith is matched by one's distaste for *the attitude of too many Socia*lists towards, say, the rights of individual members of trade unions. In short, a criticism of the Conservative Party is not the same thing as a call to vote Labour.

That said, I cannot for the life of me think of any reason why anyone should consider voting Conservative at the next General Election. In terms of what Mrs. Thatcher's Tories have to offer, we are already served by about as good a conservative Government as we are likely to get. For a start, Mr. Callaghan's Government has sat out a level of unemployment that no Conservative government would have dared to accept.

Again, it may be fair to say that the fiscal profligacy of the 1973 Heath Government was outdone by the wild spending of the 1974 and 1975 Wilson Government, but the IMF has forced the halt that everyone *knew was necessary. It is quite* possible that some of the good will be undone over the next 12 months as the election approaches, but that too would be in tune with the established practice of Conservative governments.

To the extent that Conservatives are now monetarists, the Labour Treasury is now mone*tarist. Mr. Biffen would like* some de-nationalisation: the only example he can offer is the Labour Government's sale of £500m. worth of BP shares. Labour supports the closed shop; the official Conservative policy is to acquiesce in its existence. The Conservatives favour lower personal taxes: Labour too. Capital gains tax would be reformed by the Tories; Labour is working on the very same proposal. The Tories believe that small businesses must be enabled to do *their work with a minimum of interference from the state;* Labour has appointed Mr. Harold Lever to be the Minister in charge of arranging the very same thing.

Is there a Conservative Home Secretary who would behave very differently from Mr. Merlyn Rees? A Secretary of State for Social Security who would differ radically from Mr. David *Ennals? The important matter* of re-channelling taxpayers' money towards the Direct Grant schools aside, no imaginable Tory Minister of Education, not even Dr. Rhodes Boyson, could arrange such a major change in the policy of the Department of Education as has been managed by Mrs. Shirley Williams. (Formerly, the department concerned it-self with money and administration alone: now it is addressing itself to the *quality* of education, from a starting point that most parents, if not the woollier heads in the National Union of Teachers, would applaud).

The list of similarities between the parties is in fact so long that it may be more to the point to look for differences. First, the Conservatives would be less inclined to be interventionist, but this is no guarantee that they would not intervene as often as Labour, consider their track record. Second, they do not favour the Labour *form of devolution to national* assemblies, and third, they are committed to spend more on defence. Important as such differences may be, they are not the stuff of which momentous *decisions are made.* They do not tell us "this party would take us down such-and-such a road while that party will take us down a quite different road."

Oh this is all very well, some may reply, but I am perfectly aware that if Labour gets back with an overall majority next time the constraint of the pact with the Liberals will be flung aside, while the IMF will anyhow be sent off because of all that revenue from the North Sea. Then Labour will move towards full-fledged socialism, *and the reason for voting Tory* now will be obvious.

All that may come to pass — but consider one alternative, which could be a Conservative Government with an overall majority. *The weight of the odds* against this may be judged from the fact, acknowledged by Mr. Biffen, that "unless the Conservative Party can improve its Scottish fortunes it will need successes in England to match *the levels of 1959 to provide a* majority comfortable enough to weather the stormy waters of by-elections."

Never mind. Assume a Tory victory. Would it prevent socialism? *Perhaps* — but a Thatcher Government, untrammelled by alliances with any other party, would bear one immense burden — the "hate factor." This is unfair and outrageous, but it is nevertheless something that must be understood. Mrs. Thatcher herself is aware of it: she did not go through the political torture of being labelled "milk-snatcher" for nothing.

The policies on school meals and milk that earned her the vilification of those years have since been maintained by *Labour, which is arguably* harder on deprived families than she ever was. But when a Conservative carries out such policies, and particularly when that Conservative has the political image of Mrs. Thatcher, the political passions that can be aroused are a force that cannot be ignored.

U-turn

I can best explain what I am getting at by pointing back towards the Heath Government in *its second 18 months—after the* U-turn. Its policies then were no more conservative than those of the present Callaghan Government (for miners read firemen), but it was vilified on a scale that Mr. Callaghan does not have to endure except from the far Left. A Thatcher government, be it ever so middle-of-the-road, could suffer the same aroused hatreds merely for what it would be, rather than because of what it might do. To the response "this is intolerable in a democracy" one can only reply—yes, but what is to be done about it?

For like it or not, it is at least a possibility that an out*right Conservative victory at* the next election would be followed, in due course, by the retirement of Mr. Callaghan. We do not know who would replace him: a left-wing candidate might win through, but there is no certainty, either way. There is, however, a fair chance that the Labour Party would go through to the subsequent election pledged to carry out socialist policies of the kind that would increase the degree of collectivism in Britain past a point from which there could be any easy return. If the Conservatives won next year such an election would not be very far away—it would be due 1984 at the latest.

The way the opinion polls are running at the moment this outcome does not seem very likely. It is far more probable that no party will win an outright majority next time and that then Labour with the rump of Liberals and the Scottish Nationalists will form another do-nothing conservative administration. If that were to happen *the Tories would very quickly* learn the lesson of staking all on a meaningless victory by an overall majority. They might at that point begin to do some really serious thinking about *British politics.*

My own preferred outcome to such thinking would be a commitment to constitutional change, including electoral reform. *Mr. Biffen says that* "it is political policies that have to be changed and not the constitution that has to be restructured." He presumably means a swing to "liberal *economic policies*" to a degree that his own party cannot accept. What we really need is a set of political policies that is in tune with majority opinion and not a cause of perennial disillusionment with all politicians. The present constitution and electoral arrangements are obstacles in the way of such policies winning through. A Conservative Party committed to removing those obstacles would have something positive to offer: without such a commitment it is not even a "bulwark against Socialism."

Letters to the Editor

[Th]e steel [tr]ap

[From] Mr. D. Boyle.

[Sir,]—British Steel gives us a [...] example of the mixing of [politic]al and business impera[tives] in a way which makes it [virtua]lly impossible to find a [solutio]n. The net result is [ri]sing losses and deteriorat[ing re]lations between the unions, [mana]gement and government. [The] *fundamental cause of the* [prese]nt situation is that the [inter]national steel industry has [bee]n and is continuing to be [restru]ctured on an international [scale].

[Tod]ay both American and [Europ]ean steel industries are to [a gre]at extent non-competitive [with] the larger more advanced [autom]ated Japanese mills.

[In] the next decade, however, [it is l]ikely that increasing steel [produc]tion from the developing [world] will make it virtually im[possib]le for any bulk steel pro[ducer] in the West, irrespective [of the] scale of the investment, [to be] competitive. Certainly if [conventi]onal measures of return [on ass]ets are employed.

[It] is not something new. The phenomena of "jump[y bu]lk production" has been [experi]enced in industries as [such] as textiles, footwear and [consum]er electronics. In most [cases] the measures usually pro[posed] assume that the [pheno]mena is transient and [they] can be handled by [subsid]ies or import tariffs. Un[fortun]ately this is not the case: [in] these, changes are [irrever]sible and will be a factor [in the] global economic scene [well] into the 1990s.

[What] is special about the [steel] industry situation is its [close] relationship with much [of the] U.K.'s manufacturing [base] and also the employment [that] it provides. Therefore [when i]t comes to talking about [how t]o rectify the enormous [losses] *in excess of £200m. annu[ally]* the solution of rationalisa[tion an]d investment is opposed [by] *political demands to pre[serve] employment.* Polarisation [betwee]n these two viewpoints [creat]es the steel trap. Clearly, [if we] are to escape from this [it is] necessary to distinguish [betwee]n the political necessities [and th]e business logic of the [situatio]n.

[From] the business viewpoint it is necessary to restruc[ture th]e industry and provide in[vestme]nt to increase its overall [operati]ng efficiency. At the [same t]ime this should not be [done o]n a scale that assumes [th]e U.K. will be able to [regai]n a position as a world [steel] supplier into the next [decade]. Investment plans of [the ord]er of £3bn.-£10bn. make [no sens]e from a pure economic [viewpoi]nt and therefore employ[ment in] the industry is bound to [fall].

[From] a political point of view [the que]stion is, or rather should [be, how] to make the run-down [of emp]loyment in the industry [as soci]ally painless as possible. [And pe]rhaps more importantly, [how to] go about providing new [employ]ment opportunities for [the peo]ple so made available. [Clearl]y these are questions [which] have to be urgently [answer]ed, since there is abso[lutely n]o doubt in most informed [people's] minds that the old role [of the] British steel industry has [chan]ge.

[In c]reating "British Steel [Industri]es" the British Steel [Corpora]tion has set up an [organisa]tion with the prime task [of tack]ling the job of employ[ment ru]n-down and alternative [job cr]eation. In the present [situation] this organisation should [be give]n more resources and be made responsible for getting the corporation out of the present vicious circle of preserving traditional employment. Which means an inability to change, which in turn leads to increasing losses.

Denis Boyle,
Scandinavian Institutes for Administrative Research,
86, Prince Albert Road, N.W.8.

Tidying up the figures

From Mr. Christopher Johnson.

Sir,—Anthony Harris (Lombard column, November 25) attacks "numeromania," which he defines as an excess of financial statistics "used without a proper critical sense." Of course statistics need to be interpreted, as was pointed out by several speakers at the Financial Statistics Users' Conference to which he refers. He has himself over the years provided a *shining example of the way in which the dry bones of the* official figures can be brought to life.

Anthony Harris takes me to task for suggesting "re-writing the whole business and financial *calendar for the convenience of the CSO*"; and called this an example of an "itch to tidy up the real world." My suggestion was that the financial year and the company accounting year should become the calendar *year, and that the banking* month should become the calendar month. Far from wishing to tidy up the real world I want only to reform the calendar so as to avoid making the real world look even more untidy than it is. I believe that this aim is no more ambitious, and no less essential, than was the decimalisation of the currency.

Anthony Harris's aim of cutting down on the number of statistics published would be well served if figures for the public sector did not have to be published twice over, in terms of both calendar and financial years, with complex tables showing how the two are reconciled, and if we did not have to cope with two different money supply series, one monthly, based on banking months; the other quarterly, based on every third *calendar month.*

Public discussion of economic and financial policy issues is unnecessarily obscured by the fact that the national accounts are done on a calendar year basis, while those of the public sector, *comprising a large part of the* economy, are done on a financial year basis. Experts in Whitehall and the City find it confusing enough, so how is a wider public supposed to understand the exact connection between, say, a 9-13 per cent. M3 money supply target for financial year 1977-78 (a financial year measured not in calendar, but in banking months), and a 13.5 per cent. inflation forecast for the calendar year to the fourth quarter of 1977? As an example of the difference caused by the choice of time-periods, take the increase in seasonally adjusted sterling M3 in the first quarter of "this year".

First three banking months of calendar 1977	+1.5
First calendar quarter of calendar 1977	+0.3
First three banking months of FY 1977-78	+2.9
Second calendar quarter of calendar 1977	+3.7

(Financial Statistics, October, 1977, Table 7.1)

The move from the financial year to the calendar year would mean a change in the timing of the Budget, but a second Budget in the autumn is in any case becoming an established practice: Tax and expenditure changes can be, as they now are, presented at any time in the year in addition to Budget Day.

It at least the top 1,500 or so companies also made the calendar year their accounting year, as the majority of them already do, it would then become easier to reconcile their accounts with the national accounts for the company sector, and to calculate their tax liability in relation to both their own accounts and the financial/calendar year. The timing of tax payments would not necessarily be affected.

The change-over would not be easy and would require careful preparation, but the long-run benefits to the finacial system *would, in my view, be such as* to repay the cost many times over.

Christopher Johnson,
39, Wood Lane, N.6.

Takeovers and trusts

From Mr. W. Eberstadt.

Sir, — I observe with concern, attempts to take over and liquidate investment trusts in Great Britain. Let me cite my reasons for this concern and suggest some solutions.

The investment business does not lend itself particularly well to being conducted in giant units. In the past decade it has not been easy for anyone to "perform," but judging by American experience, *large size has been a* handicap rather than a help. In the U.S., stemming from the disappointments of size, major pension funds and other institutional investors increasingly have come to retain a variety of managers on a fee basis to manage portions of these funds.

Little appears to be known of the portfolios of the nationalised industries pension funds involved in these takeovers, let alone how they have fared in the markets in the past compared with the investment trusts they wish to take over.

If major investment trusts disappear, the professional money manager will soon become an endangered species. Money management is not an outstandingly lucrative activity. It requires a fair-sized overhead. It takes years — sometimes generations — *to assemble a team* tested in good or bad times. In Great Britain it probably needs a few hundred million pounds under management to operate efficiently for one's clients and leave a — by no means exorbitant — amount of money for one's own income needs. If the future of these investment managers becomes endangered, the British economy will lose a valuable asset. Last, but not least, the investment trusts *in effect* manage a significant portion of Britain's second-line foreign exchange reserves — the 30-50 per cent. invested by most of the trusts in American and other overseas securities.

One, of course, asks oneself what are the reasons for the discount from break-up value which invite takeover operations. Incidentally, the closed-end investment trust managers in the U.S. are faced with a somewhat similar situation, though discounts tend to be smaller. Probably some trusts, both in the U.S. and in Great Britain should be liquidated, or taken over. Poor performance over a *prolonged* period of time is one of the more obvious reasons. Another may be that a trust has specialised in an industry which has gone out of favour. Probably there are too many investment trusts closed or open-ended, both in Britain or in the U.S. With redemptions exceeding new sales in the mutual fund field, it is not surprising there should be, by the same token, selling pressure on the closed-end funds (which reflects itself in the discounts *from asset value*).

The closed-end fund fulfils an investment function which neither the mutual fund nor simply investing one's own money without any fund, satisfies in quite the same way. It provides (though not in the U.S.) a vehicle to introduce an element of leverage. If successful, its success is not diluted by becoming too big. Some of the most successful mutual funds in the U.S. attracted too much money, especially at the top of a market or success cycle and found themselves almost forced to put incoming new money to work at the wrong time. Similarly *they tend to be faced with re*demptions at the wrong time. There cannot be a redemption run on a closed-end fund. This can be of particular importance for funds that invest in overseas or specialised markets. The threat to independence of a discount should be conducive to performance ambitions.

Rather than take over entire portfolios, pension funds should consider open market purchases of selected investment trust shares on the basis of past performance and management compatibility. By purchasing stock in the open market up to the net assets value they will get a better average cost than by making a takeover bid. At some later stage if all goes well the trusts so chosen might make the occasional rights offering. The rights would probably be exercised by the cash rich institutional rather than the cash poor private shareholders.

Three interests would be served in this way. It will enable the investment trust shareholder who would like "out" near book value to sell. The pension funds would be buying management diversification at low cost. The pensioners, possibly, would benefit from a more diversified portfolio.

Walter A. Eberstadt,
1, Rockefeller Plaza,
New York, NY10020.

MLR and new stock

From Mr. G. Jones.

Sir,—Through advertisements in the Press, the Bank of England invited the public to subscribe for the new 10 per cent. Treasury Stock 1992 at 95.50 per cent. I applied on November 17, and was notified of my allotment on November 21.

Within four days of receiving this notification, the Bank of England changed the Minimum Lending Rate upwards in a 40 *per cent. jump, thus making the* issue terms completely out of line and causing applicants an immediate 5 per cent. loss of capital with the new stock trading at about 4½ points below the issue price of a few days before; put another way, this constitutes a loss of a complete year's net interest.

I simply cannot believe that this change in MLR was not envisaged when the stock was issued last week, yet no mention was made in the advertised details of a possible impending change. If it had then either the issue would have met with no success or the terms would have had to be changed. Obviously if the Bank/Treasury were not in complete control of the MLR one might accept the situation, but they are. I, and doubtless others, feel that we have been treated less than fairly if not duped. I am returning my allocation to the Governor and asking for my savings back.

G. A. Jones.
Neurney Hall,
Writtle, Nr. Chelmsford,
Essex.

To-day's Events

GENERAL

Prime Minister speaks at Institution of Production Engineers' annual dinner, Royal Lancaster Hotel, W.2.

Mr. Denis Healey, Chancellor of the Exchequer, leaves Bonn and begins visit to Berlin.

Mr. Li Chiang, Chinese Foreign Trade Minister, now in London, meets Mr. Edmund Dell, Trade Secretary.

European Commission's first open discussions on nuclear energy begin, Brussels (until December 1).

Council of International Chamber of Commerce meets and is expected to consider proposals for world-wide business code of conduct to combat bribery.

One-day seminar, "The New Technology," U.S. Embassy, Grosvenor Square, W.1, at 9 a.m., concurrent with Printing and Graphic Arts Equipment Exhibition at U.S. Trade Center. Speakers include Mr. Rex Winsbury, head of origination services, Financial Times.

PARLIAMENTARY BUSINESS

House of Commons: Scotland Bill, committee. Motion on financial assistance to industry (Thames Board Mills).

House of Lords: Atholl Investment (Aberdeen Development) Order Confirmation Bill. Northern Ireland (Emergency Provisions) *Bill, second reading. Dioceses* Measures. Parochial Registers and Records Measure. Motions to approve Weights and Measures Act 1963 (Bread) Order 1977. Weights and Measures Act 1963 (Various Goods) (Termination of Imperial Quantities) Order 1977, and Draft Code of Practice on time off for trade union duties. Medical Bill, second reading. Debate on EEC report on youth unemployment; and on EEC docu*ment on science and technology.*

Select Committees: Expenditure (Trade and Industry sub-committee). Subject: Fishing Industry. Witnesses: British Transport Docks Board, general manager, BR Scottish division (10 a.m., Room 16). Expenditure, Defence and *External Affairs sub-committee.* Subject: CPRS (Think Tank) review of overseas representation. Witnesses: British Transport Wealth Office staff sides; Ministry of Defence (4 p.m., Room 16).

COMPANY MEETINGS

Brasway, Birmingham, 3.30. Consolidated Gold Fields, Dorchester Hotel, W., 11.30. Dolan Packaging, Crewe, 9.30. Footwear Industry Investments, Winchester House, E.C., 12. Lawtex, Manchester, 12. Mucklow (A. J.), Edgbaston, 10. Raine Engineering, Sheffield, 12. Swan Hunter, Newcastle upon Tyne, 3.

COMPANY NEWS + COMMENT

Second half jump lifts Fenner to £8.4m.

POWER TRANSMISSION engineers J. H. Fenner and Co. (Holdings) reports record taxable profits for the year to September 3, 1977 up by £1.4m. to £8.41m. after a rise from £2.88m. to £3.29m. at halfway. Turnover for the year advanced by £10.77m. to £73.01m.

Stated earnings per 25p share are 14.16p (11.57p) and the dividend is increased to 6.7p (6p) with a final of 3.95p net.

The directors state that the current year has begun quietly with a satisfactory work load and a stable order level. Having regard to renewed doubts about a sustained worldwide recovery of industrial activity, they feel it would be imprudent, at this early stage, to make a positive forecast for the 1977-78 year.

In the meantime, they have planned for a further growth in turnover and profitability and *they say that the group is well* equipped, both in manufacturing facilities and people, to achieve success.

	1976-77 £000	1975-76 £000
Turnover	73,009	62,235
Depreciation	1,714	1,472
Interest	1,090	810
Assoc. Co's	143	157
Pre-tax profit	**8,407**	**7,006**
Tax	4,950	4,200
Minorities	366	397
Extraord. credit	160	—
Retained	1,778	1,088

● comment

Fenner did well to improve profits by a fifth at a time when its major markets are still showing no signs of recovery. Turnover (the traditionally better second half) is only about 8 per cent. higher *than the two previous six-monthly* periods but an improvement in unit costs lifted margins by almost two points. The U.K. position has improved in line with forecast (up from 49 per cent. to 54 per cent. of total profits) and includes *the benefits of the past two year's* relocation and modernisation programme in the fluid sealing division. However, conveyor belt sales have been flat in the U.S., because of the depressed coal mining industry, and in India, *where there is a domestic surplus* following Government overstocking. Against the trend, however, there was a slight improvement in South Africa on the back of that country's extensive mining activities. The poor capital investment climate in the U.K. continues to affect the mechanical handling division. In the meantime prospects for the shares, at 124p, where the yield is 8.5 per cent., remain unexciting until order levels increase to accommodate spare capacity.

AB ELECTRONIC

AB Electronic Components has been reorganised in which the parent public company is renamed AB Electronic Products Group. This re-organisation will reflect the increasingly diverse *nature of the products made by* the group.

HIGHLIGHTS

Lex discusses the U.S. trade deficit and its implications for other currencies. Meantime the report of the Wilson Committee comes in for scrutiny and **Fisons** scores a first as a U.K. quoted industrial company to tap the Sterling-Eurobond market. The offer for **Edinburgh and Dundee** closes to-day and the whole trust sector is waiting to see the level of acceptance. Meanwhile on the results front brewer **Matthew Brown** *has increased profits despite pegging prices and* **Marshalls (Halifax)** is up thanks to its building materials division. **Chamberlain Phipps** is on the way to a new record and **Fenner** is holding its own despite poor demand.

Marshalls (Halifax) improves

REPORTING pre-tax profits 8 per cent. ahead at £1.07m. for the six *months to September 30, 1977*, Mr. David R. Marshall, chairman of **Marshalls (Halifax)**, says that he *expects full year's profits to compare* advantageously with last year's £1.85m.

First half earnings are stated at 7.83p (8.2p) per 25p share and the net interim dividend is stepped up from 0.975p to 0.99p net at a cost of £56,000 (£51,000) after waivers. The directors intend to increase the final divi*dend by the maximum permitted* under current legislation. Last year's final was 4.253p.

	Six months 1977 £'000	1976 £'000	Year 1976-77 £'000
Sales	11,619	9,733	18,366
Concrete & quarrying	7,419	6,315	11,170
Eng.	4,200	3,418	7,296
Trading profit	1,189	1,115	2,090
Concrete & quarrying	887	714	1,068
Eng.	302	401	1,021
Interest	123	124	239
Profit before tax	**1,066**	**991**	**1,852**
Tax	567	492	856
Net profit	499	499	585
Minorities	22	21	32
Extraord. debits	7	*62	*48
Attributable	470	540	911

* Credits

● comment

The two trading divisions of Marshalls (Halifax), concrete and quarrying and engineering, have been pulling in opposite directions in the first half. But thanks *to a strong performance from the* concrete division with trading profits up nearly a quarter to £887,000, due to surprisingly firm orders from local authorities and support from small contract business, overall pre-tax profits managed to show a small advance. Engineering, and especially Halifax Tool (manufacturer of rock *drilling machines* and associated equipment) has had a poor first half. Although sales rose in value 23 per cent. profits fell by a quarter. But the downturn in engineering margins by four and half points had much to do with the growing contribution from *the lower margin diesel and electric* tractor business of the division, Reliance-Mercury. This in*creased its profit contribution* from £133,000 to £150,000. With orders improving in the second half a full year's pre-tax outturn of £2.2m. looks likely, compared with £1.85m. On that basis the shares at 88p sell on an undemanding prospective p/e of 5.2, and yield 10 per cent. assuming a maximum payout.

Property Inv. well up so far

ON TURNOVER down from £1.34m. to £1.05m. profit of **Property Investment and Finance** *for the six months to September* 30 1977 jumped from £114,000 to £459,000, after tax of £28,000, *against a credit of £10,000.*

The *interim dividend is in*creased from 1p to 1.5p net per *£1 share and the directors expect* to pay a total of at least 4p for the full year.

Profit was achieved after minorities, loan stock interest £34,000 (£44,000) and interest payable £66,000 (£63,000). Net assets per share at September 30 are shown as 134p (119p) and 137p (126p) fully diluted.

Brady Inds. £200,000 down so far

Pre-tax profit of industrial door *makers* ***Brady Industries*** tumbled £200,000 to £60,000 in the September 30 half year, despite a rise in turnover from £7.9m. to £8.6m.

Directors say the disappointing *results are mainly owing to the* slow recovery of building industry activity. Action is being taken to rationalise group activities and management is being strengthened, although they say it may be some time before a material improvement in profits can be achieved.

The result is subject to tax of £31,000 (£135,000).

The interim dividend is unchanged at 1.75p. On taxable profit of £484,000 last year a final of 3.9125p was paid.

Stag Line turns in £635,595

INCLUDING A surplus of £441,230 on the sale of Gloxinia, shipowners **Stag Line** reports tax*able profits up from* £217,946 to £635,595 for the year to October 31 1977, on reduced turnover of £2.86m. against £3.25m.

The dividend is stepped up to 11.4p per £1 share compared with 10.36p with a final of 7.6p (6.86p) net as forecast, absorbing £140,633 (£127,823).

Pre-tax profit, excluding sale of *Gloxinia*, was up at £299,852 (£217,946) as anticipated by the directors last May. Predelivery interest on loan capital took £105,493.

After tax of £283,000 against £117,823 the amount for appro*priation came out at* £352,595 (£100,123), and £211,962 was retained compared with £27,700 from reserves last time.

First half advance for LMI

ON SALES ahead from £7.11m. to £9.04m., engineers etc., **London and Midland Industries** lifted pre-tax profits from £650,000 to £850,000 for the half year to September 30, 1977.

The group continues to expand its business, say the directors, and increased group profits showing a *substantial improvement over last* year's record £1.58m. are foreseen for the full year.

After tax of £426,000 (£320,000) attributable profits rose from £268,090 to £425,000 and earnings are shown at 5.9p (4.6p) per 25p share. The *interim dividend* is lifted from 1.7p to 1.9p net and a final payment of 2.864p (2.60507p) *is intended.*

The financial position has been significantly strengthened, say the directors, by retentions of £277,000 for the half year, and also by the decision to release £552,000 to reserves from tax deferred in respect of stock relief at March 31, 1977 which will not be payable in the foreseeable future.

Edward Jones £20,000 up at halftime

Taxable profit of **Edward Jones (Contractors)** pushed £20,000 higher to *£30,500 in the June 30,* 1977, half year.

Directors say difficult trading conditions still persist and no substantial improvement can be expected for some time.

Based on orders already held, turnover for the year should be greater than last year although margins are likely to be affected. *Last year pre-tax profit* was £130,103 on turnover of £3.1m., and a first and final dividend of 0.91347p was paid.

The half year result is subject to tax of £26,400 (£15,800) and minorities of £4,000 (£2,300).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Leisure Caravan	int.	2.04§	Jan. 9	*1.61	—	*4.01
Chamberlain Phipps	int.	0.9‡	Jan. 5	0.45	—	1.92
James Cropper	int.	0.5	Jan. 13	0.25	—	—
J. H. Fenner		3.95	—	3.5	6.7	6
Bainbridge Eng.	int.	0.6	Jan. 2	0.58	—	1.68
Brady Industries	int.	1.75	Jan. 19	1.75	—	5.66
Matthew Brown		2.92	—	2.6	3.92	3.51
Lon. and Midland	int.	1.9	Jan. 20	1.7	—	4.31
Marshalls (Halifax)	int.	0.99	March 31	0.98	—	5.23
Prop. Inv. & Finance	int.	1.5	Jan. 6	1.0	—	4
Stag Line		7.6	Jan. 4	6.86	11.4	10.36

Dividends shown pence per share net except where otherwise stated.

*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡Increase to reduce disparity with final. Also additional 0.0226p for 1976-77. §Unchanged *final forecast of 2.398p.*

Chamberlain Phipps up £0.4m. at six months

REPORTING PRE-TAX profits up from £835,000 to £1.24m. for the six months to September 30, 1977, Mr. W. R. F. Chamberlain, the chairman of **Chamberlain Phipps** *says he is still optimistic for the* year as a whole and expects second half profits to show continued progress. Profits for all 1976-77 were a record £2.1m.

Mr. Chamberlain reports that *all divisions improved their profits* in the first six months, the moulding and general industries divisions showing very much better performance than in the first half of last year.

After tax of £445,000 (£409,000) earnings are shown to have advanced from 1.7p to 3.07p per 10p share. The interim dividend *is lifted from 0.448p to 0.9p net* to reduce disparity with the final. Last year's final was 1.467p and an additional 0.0266p is now also declared for 1976-77 following the reduction in ACT.

	First half 1977 £000	*1976* £000	Year 1977 £000
Group turnover	24,244	20,951	45,859
Trading profit	1,479	1,058	2,638
Share assocs.	24	20	45
Interest payable	267	243	561
Profit before tax	**1,236**	**835**	**2,182**
Taxation	445	409	648
Net profit	791	426	1,434
To minorities	99	41	112
Extraord. credits	—	—	26
Attributable	692	385	1,368
Dividends	212	105	437
Retained	480	280	851

● comment

Chamberlain Phipps is consolidating upon last year's recovery with pre-tax profits up 48 per cent. and margins (pre-interest) improved from 5 per cent. to 6.2 per cent. Leading the re*covery is the industrial division*, which now generates around 37 per cent. of group sales (25 per cent. two years ago), and has increased its profit contribution from around £210,000 to £433,000. Sales of automotive engine parts *and trim (both at home and overseas)* have been particularly strong in the first half with Ford a major customer. Supplying footwear components, however, remains the group's principal business—despite the increasing *importance of the industrial division*. Overseas footwear profits are not much higher than at the *same stage last year* while sales are slightly down. Meantime the U.K. market has held up surprisingly well for the group, despite the pressure that manufacturers have been under from foreign competition. Chamberlain reckons *to have increased its market share* and profits have risen on the back of a volume gain. Meanwhile given the general improvement pre-tax profits may be at least £2.8m. this year while the shares at 35p yield 9.4 per cent. covered almost 3½ times on prospective earnings taking a line through the interim tax change.

recovery is in line with expectations and profitability has continued to show further improvement in recent months.

Turnover for the period was up from £3.66m. to £4.47m. and at the trading level the result was £26,212 ahead at £100,617 before interest of £89,096 (£94,379).

After tax of £19,900 (£6,330) net profit emerges at £18,370 (£5,843).

The interim dividend is doubled from 0.25p to 0.5p.

J. Cropper trebled after six months

Including a £26,749 profit on the sale of assets against £32,147 last time the pre-tax surplus of **James Cropper and Company**, paper makers, increased from £12,173 to £38,270 in the six months to October 1, 1977.

Directors say the modest

Concentric confident of progress

Mr. D. F. Dodd, chairman of **Concentric** says that he looks forward with confidence to continued progress in the year ahead.

He tells members in his annual *statement that the directors are* still looking to ensure that the group's products and manufacturing facilities are suitable to meet the ever changing needs of customers.

Extensions and alterations to some of the group's factories are under consideration and the directors are following the policy of recent years which will involve substantial capital expenditure to keep plants fully up to date.

As already reported pre-tax profit for the year to October 1, 1977 advanced from £2.21m. to £2.45m. on turnover of £31.54m. *against £24.28m.*

A divisional analysis of turnover and profits (£000s omitted) shows: Control *equipment, valves and* pumps £18,008 (£14,569) and £1,529 (£1,358); Metal fabrications and pressings £5,238 (£3,894) and £277 (£361); Non-ferrous ingots and metal merchanting £7,508 (£5,402) and £516 (£372); Plastic com*ponents £786 (£615) and £56 (£36)*. Other income £74 (£81).

In the opinion of the directors *the estimated realisation value of* freehold and leasehold land and buildings exceeds the amount of £1,335,849 at which they are included in the balance-sheet at October 1, 1977 by approximately £370,000. This figure takes no account of any possible Corporation Tax payable on realisation.

The 16.3 per cent. of the com*pany previously held by the S. W.* Wood Group was disposed of early in the year under review. Two institutions—Britannic Assurance—and the Coal Board Pension Fund, together hold 20 per cent. of the issued capital.

Dividend rise at Leisure Caravan

In the light of forecast pre-tax profits of £1.9m. to £2m. and management figures to date **Leisure Caravan Parks** has lifted interim dividend from an adjusted 1.613p net per 10p share to 2.042p.

This takes in all the permitted dividend increase for the year and the final will be held at last year's adjusted 2.398p, unless ACT is reduced or the dividend restraint legislation not renewed.

Profit last year totalled £1.6m., and a one-for-three scrip issue was made.

ISSUE NEWS AND COMMENT

Now Leeds floater comes to surface

The application list opens on Thursday for the issue of £12m. City of Leeds Variable Rate Stock 1982 at £100 per cent.

Interest will be payable half-yearly in arrears on May 28 and November 28 at a rate of ⅞ per cent. per annum above the rate at which sterling deposits are offered for six months to first class borrowers on the London inter-bank market (LIBOR) the day before the interest period commences.

The first payment next May *will be £4.125 per cent. representing* an interest rate of 8¼ per cent. per annum.

Dealings are expected to start on Friday, December 2. Bankers to the issue are Morgan Grenfell *while Pember and Boyle are* brokers.

It is the third variable rate stock to be issued by Morgan Grenfell which also handled the Dudley and Oldham issues in August.

● comment

Friday's hike in interest rates has *added a little spice to the growing (in size) market in local* authority variable rate stocks—with the first six month coupon on the Leeds floater lifted to equal 8¼ per cent. per annum. This compares with coupons ranging from 6⅛ to 6⅜ per cent. on the recent Strathclyde, Buckinghamshire and Hounslow issues. However, while the market remains largely restricted to the banks, discount houses and other money institutions there is unlikely to be very much secondary trading activity. To date seven local authority variable rate stocks have been issued to raise £94m. and issues are now coming at the rate of one a week. All but the first Bristol with interest ra[te] measured against the Treas[ury] Bill rate—have had interest r[ate] governed by movements in LI[BOR] while the last four issues h[ave] carried a coupon ⅞ per cent. ab[ove] LIBOR so a degree of uniform[ity] has come into the market. G[iven] the advantage of the best yet monthly coupon the Leeds st[ock] should give the underwriters *trouble, while earlier stocks, of*fering a lower initial coupon, Hounslow (issued last week) *now trading at a discount.*

Prospectus Page 30

MID-KENT WATE[R] PREF. OFFER

The underwriting has [been] completed for an offer for by tender of £5m. 7 per [cent.] Redeemable Preference S[hares] 1983 by the Mid Kent Water [Com]pany. Brokers to the issue Seymour Pierce and Co. details will be published [to]morrow.

KWIK-SAVE

Ninety-seven per cent. of 2,481,800 offered by way of r[ights] to Ordinary shareholders of [Kwik] Save Discount have been [taken] up.

The balance will be sold [for] the benefit of the entitled s[hare]*holders except that no pay*[ment] will be made for less than £[1].

TURNER & NEWA[LL]

Turner and Newall increas[ed] authorised capital by £20m [to] *£120m.* at an EGM yesterda[y] creating 20m. Ordinary £1 s[hares].

GR (Holdings) strong liquid position

THE LONG-ESTABLISHED connections that G. R. (Holdings) has with overseas customers and the group's considerable liquid resources will stand it in good stead in the current year, states Mr. A. D. Stalbow, the chairman.

Since the year end retail sales have been rather disappointing and it remains to be seen to what extent the higher prices and unseasonably warm early autumn weather will inhibit sales of sheepskin coats, he says. Moreover the recent fluctuations in foreign exchange make it even *more difficult to assess the* possible impact on the group's substantial export trade.

As reported on November 9 pre-tax profits for the year ended June 30, 1977, came to £2.43m. (£1.61m.) including some £100,000 of exceptional items arising partly from a change in the basis of valuing stock and partly from the *recovery of rates relating to* earlier years. Turnover expanded from £13.7m. to £18.17m.

The distribution of profits between the two half-years has not followed the historical pattern whereby the majority of annual profits are earned in the first six months. This time the second half-year produced rather higher *profits than the first, largely because* a smaller proportion of overall profit is now attributable to the sale of manufactured products which are very seasonal in nature.

The second half also benefited from a high level of exports at satisfactory prices. Compared with last year, the improvement in *profits was achieved in almost all* sections of the group, the export-orientated merchanting of sheepskins and furs, having done well in terms of both turnover and profit.

The balance sheet shows that the value of stocks held at £7.39m. (£4.79m.) has again risen sharply but part of the increase *is due to the change in the basis* of stock valuation. Although the level of bank balances at June 30, 1977 was lower than last year at £1.03m. (£1.36m.), the liquidity position is still strong and with the sharp decline in interest rates available, the directors have for *some time been exploring various* alternatives, and have in fact *already participated in certain* property transactions. So far this involvement has been on a relatively modest scale but if it proves successful, it may provide the base for further controlled expansion in this field, says Mr. Stalbow.

A statement of source and application of funds shows an in*crease in working capital of* £1.91m. (£0.91m.) and a decrease in net liquid funds of £339,935 (£189,351 increase).

Meeting, Chartered Accountants Hall, E.C., on December 21 at noon.

Irish Life performance

The Irish Life Assurance Company reports that its Property Modules Growth Fund incr[eased] by over £9m. to £32.8m. d[uring] the year to September 30. The *unit price rose by 11* cents during the year, of [which] nearly 4 per cent. represent[ed] some received by the fund number of modules (unit[s in]) force at the end of the amounted to 25.6m.—an inc[rease] of 3.2m. Gross income rec[eived] by the fund over the amounted to £2.2m. com[pared] *with £1.9m. received durin[g]* previous year.

During the year two properties were added to portfolio, a new factory pre[mises] and a modern office buildi[ng in] Dublin, bringing the total [num]ber of properties in the po[rtfolio] to 40. The portfolio is spl[it be]tween properties in Irelan[d 64] per cent., the U.K.—28 per [cent.] Holland 8 per cent. and Fra[nce ...] per cent. At least 90 per ce[nt.] *the rents are reviewed at* [...] seven yearly intervals.

The Managed Fund over [12] months to September 30, 197[7 rose] in value by nearly £3m. to [...] with the unit price jumping [...] per cent.—making an incre[ase of] *41 per cent. for the 12 mont[hs]* 117 per cent. since incepti[on in] April 1974. At the end o[f the] period, the portfolio mix st[ood at] 41 per cent. equities, 45 per [cent.] fixed-interest and 14 per [cent.] property. This represented increases for equities [and] property and a lower prop[ortion] in fixed-interest.

Irish Ropes peak £0.67m. and sees mor[e]

Dublin based rope [manu]facturers Irish Ropes r[eport] record pre-tax profits for th[e year] to August 31, 1977 of £[...] *against £362,876 and Mr.* [...] Dempsey, the chairman i[s con]fident that the company [will] succeed in maintaining and fully improving on its p[resent] prosperity.

Sales for the year increa[sed] 28 per cent. to £13.3m. The [chair]man is pleased by the result[s] they were achieved in a[...] *which he says proved extr[emely]* difficult worldwide in the p[...] areas in which the co[mpany] trades.

Stated earnings per 25p are 25.13p (23.66p) and [an]nounced the dividend is from 6.567p to 7.663p net final of 4.015p. A scrip is[sue] one-for-three is also propose[d].

In March a £3m. program[me of] investment was announced carpets and cordage side group and building work carpet area is on schedul[e] installation of new plan[t] already started. Mr. Dempse[y] that the bulk of first sta[ge] voted to carpets, will be in tion in the summer of 1978.

The chairman adds that third stake in Andere[...] taken by the company [in con]junction with Andere[...] deen).

53 companies wound-u[p]

Orders for the compulsory *winding up of 53 companies* were made by Mr. Justice Templeman in the High Court yesterday. They were:—

Bill Attkin, Isis Metals, Harlech Home Insulations, Brookside Managements and McGillicuddy Builders.

Omnium, Hartley Decorators (Kent), Heasman and Cole, Hillway Insurance Brokers and Kenneth Hodson.

Michael Sinclair Construction, N. Chamberlain (Contractors), H. Salih Modes, Box of Sweets and Harvies (Confectioners).

Anglo Swiss Direct Mail Services (London), Ardres, Brent Willow Builders and Decorators and Caldy Timber Company.

Eaglecourt, Harry Cooper (Leigh), Kimberley Cleaning Services, Lord of the Flies and Squaw Fashions.

Socialist Worker Printers and Publishers, Oak Management, Hopper (Chemists), Carbeacia and Bonmahon Builders.

Haynorth (Building), Henderson Booth (Transport), Micol (Brickwork), Minnavale Transport and Viking Performance.

Trident Cars (Sales), Motorgas (G.B.), Finchurst, Blierose and Pesticide Chemicals.

Quickbeam, R. G. [...] Hotels (Midlands), Uher[...] Verisden Transcontinent[al ...] Darcock.

Velmglade Properties, Amega Club, Cedat [...] Berlock and Edward Ba[...] Sons (Holdings).

Belgrave Removals and [...]port (International), W[...] Construction, Perard Cons[...] Company, Mans Agencies.

هكذا من الأجل

MINING NEWS

Agnico-Eagle is moving out of the wood

BY KENNETH MARSTON, MINING EDITOR

RISING trend of the bullion ... which many observers ... has a long way to go yet ... focussing attention on the ... lian gold producers. Because ... their relatively high break-even levels, each rise in the metal ... has a more dramatic effect ... their earnings than it does ... the case of South Africa's ... -cost mines.

... transatlantic mines are not ... of the wood yet, but an ... ple of the good progress ... made comes from Mr. Paul ...'s Agnico-Eagle Mines ... produces gold at its young ... property in Quebec and ... at Ontario's famous Cobalt ...

... rating costs of the gold ... last quarter equalled ... 18 per ounce, bringing the ... ge for the past nine months ... 103.65. Gold output for the ... months amounted to 47,193 ... s, producing a net profit of $C725,510 (£339,000). Silver production—of 128,264 ounces in the period from May 9 to September 30—resulted in a loss of $C874,938.

Agnico-Eagle's overall result for the past quarter was a net profit of $C93,032—after depreciation and amortisation of $C770,282—which left a reduced loss for the past nine months of $C373,734 compared with a loss of $C824,783 for the same period of last year.

A further improvement in gold earnings seems in store for the current quarter in line with the better gold price which closed at $US161½ yesterday.

Meanwhile, deepening of the Joutel shaft to its objective depth of 2,985 feet—or nearly double the depth from the current production level—has been completed. This will enable the opening up of nine new production levels and will facilitate further exploration of the mine.

On the still depressed base-metal front, the low price of copper has forced Craigmont Mines to raise the cut-off grade of ore mined from 0.7 per cent to 1 per cent, at its operation at Merritt, BC. Although this action will reduce the ore reserves and thus marginally shorten the life of the mine, the president, Mr. R. G. Duthie, said it was necessary to ensure economic operation.

Craigmont is owned 45 per cent by Placer Development and 20 per cent by Noranda Mines. The latter in turn owns more than 31 per cent. of Placer.

Craigmont's net income for the year to October 31 declined to $C2.4m. (£1.10m.) from $C3.9m. in the previous year. Shipments of copper concentrates were reduced, while the average grade of ore treated was lower, resulting in higher unit costs.

Japan seeks new uranium deal

BY OUR MINING STAFF

JAPAN IS to make another attempt to bring about the end of the embargo on Canadian uranium exports. The Foreign Ministry in Tokyo said that Japan ... try to seek a compromise ... question of Canadian control of exports.

... the beginning of this year, ... Canadian Government embargoed uranium exports to Japan ... countries of the EEC because ... failure to reach nuclear ... guard agreements covering ... use of Canadian nuclear material.

... Foreign Ministry's statement follows the announcement ... agreement earlier this ... between Canada and the ... which covers the sale of Canadian uranium. The existence of the agreement eliminates ... source of one Japanese complaint—double labelling.

Double labelling refers to two different sets of nuclear safeguards, which may be incompatible. Some 70 per cent. of ...'s uranium needs are met ... Canadian mines, but the material is enriched in the U.S. ... statement said that the Canada-U.S. agreement offered Canada two options for controlling the use of its uranium. One ... Canada the power of veto ... sales of uranium enriched ... U.S., where it might later ... used in nuclear reprocessing ... ms.

... second, favoured by Japan, ... ded for the U.S. to consult Canada before agreeing that ... tries may reprocess used ... ar fuel emanating from U.S. ... ment plants.

... has been a consistent aim ... Canadian policy to seek safeguard agreements on the use of its uranium, primarily to avoid proliferation. The Government in Ottawa has been particularly concerned about nuclear reprocessing and has sought to use its power as a producer to prevent it.

But it has not been against reprocessing in principle, recognising its role in the energy development of some countries. *It has laid stress on the reaching* of an international consensus on the topic.

In this regard it is supporting the International Nuclear Fuel Cycle Evaluation Programme on which President Carter places great importance. The start of work on the Programme has enabled a basis for negotiation with the EEC to emerge, which if carried through to agreement could result in at least a temporary flow of uranium supplies.

PROFITS RISE AT HOLLINGER

Thanks to good sales from the Iron Ore Company of Canada, the Toronto group Hollinger Mines has reported a sharp increase in net profits for the first nine months of this year. Net profits were 54 per cent. above the level of the same period in 1976 at $Can.14.5m. against $Can.9.1m.

Hollinger's figures consolidate those of the two subsidiaries, Labrador Mining and Exploration and Hollinger North Shore Exploration. All three companies have links with Iron Ore Company, either through equity holdings or leasing arrangements.

Predicting a satisfactory outcome for the year, Mr. Albert Fairley, the Hollinger president, says that royalties on iron ore earnings from Iron Ore Company dividends, interest and share of were all above the level for the first nine months of 1976.

Rustenburg now lifts metal price to $175

SOUTH AFRICA'S Rustenburg Platinum Mines is raising its selling price for platinum from $162 to $175 (£96) per troy ounce. So far, no similar move has been announced by the other two leading producers, Impala and Inco. In London last night the free market price—mainly for Soviet material—was $6.50 up at $174.

At the beginning of this month Rustenburg announced that it was to reduce its platinum production by between 10 and 20 per cent. *from the present level of 1m.* ounces a year. It was added that the previous rate of production and price levels were imposing an undue strain on the company's resources.

Indeed, profits had fallen sharply and in October the mining giant had omitted its final dividend in view of "the low level of profitability in the past year and the unpromising outlook for metal prices." It was hoped that the production cutback would bring the worldwide supply-demand position into balance.

However, the managing director of the rival Impala has said that his group had no plans for cutting its output, which is thus expected to be still some 700,000 ounces for the current year. The possibility of a rise in the platinum price to $175 was mooted by Lodestar in Mining Notebook a fortnight ago.

Matthew Brown ahead to £3.1m.

AFTER RISING from £917,000 to £1.18m. in the first half, pre-tax profits of brewers etc. Matthew Brown and Company finished the *year to October 1, 1977 ahead from* £2.6m. to £3.1m. Turnover advanced from £15.66m. to £17.28m.

With tax taking £1.57m. (£1.34m.) earnings are shown at 9.04p per 25p share against 8.04p and the dividend total is raised from 3.51p to 3.92p net with a final of 2.92p.

	1976-77 £000	1975-76 £000
Group turnover	17,276	15,655
Trading profit	3,240	2,…
From prop. disposal	77	…
Interest payable	21	…
Depreciation	…	…
Profit before tax	3,100	2,600
Taxation	1,571	1,343
Net profit	1,529	1,257
To minorities	1	…
Ordinary dividends	…	565
Retained	865	691

† Loss.

● comment

Matthew Brown's decision not to go ahead with a July price increase along with the brewery majors has paid-off. There has been no loss of margin and pre-tax profits showed a healthy 14.2 per cent. rise to £1.922m. in the second half. This has been achieved on the back of a 2½ per cent. increase in volume sales. The volume increase has climbed to over 6 per cent. in the current first half, with pegged prices still influencing demand. But a price rise cannot be deferred for much *longer. Stocks have risen by over* a third to £1.19m., due to the increasing volume of lager production. In volume terms lager sales increased from 34,000 barrels *to 38,000, accounting for around 16 per cent. of the total.* A continued increase in demand should not be a problem for the group as its major capital expenditure programme is now complete, so there is more than enough capacity. At 98p the shares stand on a p/e of 10½, and yield 6.1 per cent.

KWIK-FIT

A report in Saturday's edition relating to Kwik-Fit (Tyres and Exhausts) inadvertently stated that the company was going to make a five-for-two scrip issue. *In fact a resolution was passed by* shareholders for a subdivision of the Ordinary 25p shares into 10p shares. There is not an issue of any new capital by way of a scrip.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Arrow Industries, Barnett and Hallamshire, Daily Mail and General Trust, Fine Art Developments, Hargreaves Group, Hickson Pentecost, Marling Industries, Parkland Textile, Property and Reversionary Investment, Restmore, Rowlinson Construction, Tricentrol.

Finals—Leeds and District Dyers and Finishers, Silentnight.

FUTURE DATES

Interims—	
Castings	Dec. 5
Haswell (George)	Dec. …
Crellon	Dec. 13
Diamond Stylus	Dec. 1
Elliott (B.)	Dec. 5
Holyrood Rubber	Dec. …
Hongkong (Selangor) Rubber	Dec. …
Lennons Group	Dec. 9
Routledge and Kegan Paul	Dec. 1
Socomaro	Dec. …
UKO International	Dec. …
Whessoe Watson	Dec. 7
Williams (W.)	Dec. 1
Finals—	
Carr's Milling Industries	Dec. 12
Castlefield (Klang) Rubber Estates	Dec. 8
Killinghall (Rubber)	Dec. 5
Nottingham Brick	Dec. 5
Osborn (Samuel)	Dec. 5
Trans-Oceanic Trust	Dec. 1
Unochrome International	Dec. …

Half-time drop for Bainbridge

Reflecting the difficult conditions in the building industry and particularly the reductions in *Local Authority spending,* taxable profit of Bainbridge Engineering dropped from £105,161 to £83,730 in the September 30 half year on turnover virtually unchanged at £458,869 against £458,625.

Directors say little improvement in construction activity is expected in the immediate future, but the company is introducing new products less dependent on its traditional housebuilding market.

Spheric Engineering performed well and is expected to do even better in the second half. Directors remain confident of the future for the group and say it is well placed to take immediate advantage of improved activity.

The interim dividend is lifted from 0.575p to 0.6p net per 10p share. A 1.1p final was paid last year on record taxable profit of £232,030.

MONEY MARKET

Full credit supply

(Bank of England Minimum Lending rate 7 per cent. since November 25, 1977)

Day-to-day credit was in abundant supply in the London money market yesterday, and the authorities absorbed surplus funds by selling a moderate amount of Treasury bills to the discount houses. Banks brought forward ... balances, there was a very substantial excess of Government disbursements over revenue payments to the Exchequer, and the market was also helped by net maturing Treasury bills on a very substantial scale. On the other hand there was a fairly large increase in the note circulation, and the call on 10½ per cent. Exchequer 1997 was another adverse factor.

Discount houses paid 6-6½ per cent. for secured call loans in the early part, but closing balances were taken within a range of 3 per cent. to 5 per cent.

In the interbank market overnight loans began at 5¾-5⅞ per cent., and touched a high point of 6-6½ per cent., before easing to 5⅝-5¾ per cent. at noon. Rates were between 4 per cent. and 6 per cent. in the afternoon, and closed at 4½-5 per cent.

Rates in the table below are nominal in some cases.

Nov. 28	Sterling Certificate of deposit	Interbank	Local Authority deposits*	Local Auth. negotiable bonds	Finance House Deposit	Company Deposits	Discount market deposits	Treasury Bills ◆	Eligible Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	4-6⅛	—	—	—	6¼	5-6⅛	—	—	—
2 days notice	—	—	6-6⅛	—	—	—	—	—	—	—
7 days notice	—	5⅞-6¼	6-6⅛	—	6¼-6⅜	6⅝	6	—	—	—
One month	6½-6⅝	6⅜-6½	6¼-6½	7-6¾	6¼-6⅝	6⅞	6	6½-6⅜	6⅜	6¾-7¼
Two months	6⅝-6⅞	6⅝-6⅞	—	6¾-6½	6½-6⅞	—	6⅛	6⅝-6⅝	6⅞	7⅛-7¼
Three months	6⅞-6⅞	6⅞-7⅛	6¾-6⅞	6¾-6½	6⅞-7⅛	7⅜	6¼	6⅝-6⅞	6⅞-6⅝	7½
Six months	7⅜-7¼	7⅜-7⅞	7-7⅛	7¾-6⅞	7¼-7¾	—	—	—	6⅞	7¾
Nine months	7⅞-7⅞	7¾-8	—	8¼-7¾	—	—	—	—	—	—
One year	7⅞-7⅞	7⅞-8¼	8⅛-8½	8½-7¾	—	—	—	—	—	—
Two years	—	—	9⅛-8¼	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rates nominally three years 10¾-10⅞ per cent.; four years 11¼-11½ per cent.; five years 11½-11⅝ per cent. ◆ Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bills 6 11/16 per cent.; four-month trade bills 7¾ per cent. Approximate selling rate for one-month Treasury bills 6 5/16-6 9/32 per cent.; two-month 6 5/16-6 11/32 per cent.; and three-month 6 5/16-6½ per cent.; approximate selling rate for one month bank bills 6½ per cent.; two-month 6 7/16-6½ per cent.; and three-month 7½ per cent. One-month trade bills 6¾-7½ per cent.; two-month 7-7½ per cent.; and also three-month 7½ per cent.

Finance House Base Rates (published by the Finance Houses Association) 8 per cent. from November 1, 1977. Clearing Bank Deposit Rates for small sums at seven days' notice 3-4 per cent. Clearing Bank Rates for lending 6-7½ per cent. Treasury Bills: Average tender rates of discount 6.4265 per cent.

BIDS AND DEALS

Palmer & Harvey agrees £1.4m for Lennons

LENNON BROS., the Warwickshire-based tobacco and confectionery wholesalers, has received an agreed bid from Palmer and Harvey, a privately owned company operating in the same field.

The deal highlights the disparity which sometimes occurs between the stock market value of a company and its value in the eyes of a purchaser with a special interest. Prior to the bid announcement Lennon's shares were standing at 77p, which valued the company at £231,000. Palmer is offering £4.67½ per share at which level the company is valued at £1.4m.

Preference shareholders are to be offered 65p per share compared with a pre-bid market price of 25p. Terms of the deal have not yet been finally agreed between the two companies but Palmer is hoping to pay for the shares by way of a new loan stock. However, shareholders will be offered an equivalent cash alternative. Yesterday the shares rose to 460p.

The directors of Lennon who control around 44 per cent. of the shares, have irrevocably agreed to accept the offer.

Lennon, whose Ordinary shares were last dealt in on May 20, 1976 at 60p, last year saw pre-tax profits dip slightly to £162,000 due largely to Prices Commission restrictions on tobacco products. In the first half of this year profits were maintained despite lower margins on tobacco but the company expected full year profits to be no greater than last year's despite good confectionery business.

Palmer's last reported figures were for 1975. They were £1.7m., 28 per cent. above the previous year, included contributions from seven new companies acquired during the year. The company pursues an active policy of acquisition and its advisors, Laurence Prust, said yesterday that it was buying Lennon for its turnover of nearly £10m.

T. W. WARD SALE TO CLARKE CHAPMAN

In accord with previous statements with regard to subsidiary Thomas Smith and Sons (Rodley), Thos. W. Ward announce the sale of the fixed assets, stocks and work in progress of the company to Clarke Chapman for £1.45m.

It is intended that Clarke Chapman will continue to develop the Smith range of mobile cranes, rail cranes, crawler mounted cranes and drag-lines at the Smith's factory in Rodley.

As part of the deal the construction equipment division of Thos. W. Ward has secured a selling agreement with Clarke Chapman covering all Smith's products for the U.K. market which will ensure continuity of its construction equipment product range.

The change of ownership will be effective from January 1, 1978.

Clarke Chapman says that the acquisition is in keeping with the policy of expanding the range and product base of its already diverse activities and will fall within the pattern of the enlarged mechanical and electrical engineering group of Northern Engineering Industries recently formed by the merger between Clarke Chapman and Reyrolle Parsons.

GLENLIVET/SEAGRAM

No news is expected from Glenlivet Distillers before Thursday concerning the approach from Seagram. Mr. Ivan Straker, chief executive of Glenlivet, said yesterday that the Board is busy putting a precise value on its stocks in to-day's market and is "not at present in contact with anyone outside."

Mr. Straker also pointed out that, technically, it had not yet received a bid from Seagram who have said that a full bid is conditional upon recommendation by the Glenlivet Board. That recommendation has not yet been arrived at.

STANDARD FIREWORKS BUYS BARTON PROPS.

Standard Fireworks is to pay around £120,000 to take over Barton Properties, a private company which has one part-time employee and which manages tenanted properties, mainly in Huddersfield. Barton and Standard share three common directors.

Terms of the offer, which is agreed, are 19 shares in Standard for every 50 shares in Barton. This values each Barton share at 17.1p and the company as a whole at £119,700.

The offer, which is conditional on the approval of Standard shareholders at an extraordinary meeting on December 21, closes on December 20.

In an accompanying statement, Standard says that the Board recognises the need "to expand beyond its traditional firework activities and has thus deployed Standard's technical expertise in the manufacture and sale of products such as bird scarers, special smoke producers and insecticides for the home market."

The acquisition of Barton, which had net tangible assets of £113,000 at March 31, 1977, "will provide the stronger capital base and cash resources to enable these new markets to be exploited to the full."

Trust and Agency in talks

Trust and Agency Company of Australasia, the financial company which was formerly part of the Lowson empire, is having talks with an unnamed financial group which might result in a takeover offer. Shares in the company, whose equity is almost one-third owned by Commercial Union, were suspended yesterday at 145p.

Directors of Trust and Agency have been involved in these talks, which are described as "amicable," since before the abortive attempt to change the company's status for tax purposes last September. That attempt, which would have involved a change from a financial to investment company status, and a consequent decline in Trust and Agency's tax rate from 52 to 30 per cent., was abandoned when it became plain that the scheme was not going to obtain the support of the requisite majority of preference shareholders.

A further announcement is to be made "as soon as possible" — probably before the end of the week. At the suspension price Trust and Agency is capitalised at £11.6m

MAGNET & SOUTHERNS

Magnet and Southerns has acquired through its wholly-owned Dutch Golding company—Southerns-Evans Nederland B.V.—the capital of Houthandel W. de Vries B.V., a timber merchants business based at Helmond in Holland.

LAFARGE

Details of the Scheme of Arrangement under which the French company, Lafarge, is to take over the 45 per cent. of Lafarge Organisation which it does not already own, were sent to shareholders yesterday.

Briefly, Lafarge is buying back control of its profitable Lafarge Fondu International and a staff consortium at LO is taking over the rump of LO in the U.K.

The consortium is to pay £175,000 in cash by instalments and will take over responsibility for LO's liabilities which include a £102,000 overdraft.

Under the scheme they will also be bound to keep the U.K. business going for at least three years.

S. JEROME BUYS CARRINGTON VIYELLA OFFSHOOT

Agreement has been reached in principle between S. Jerome and Sons (Holdings) and Carrington Viyella for the acquisition by Jerome of the capital of H. Armitage and Company (Eccleshill), a wholly owned subsidiary of Carrington and the freehold property occupied by Armitage.

The total consideration (after adjustment for the Carrington intra group loan account) will be £249,000 to be satisfied in cash out of Jerome's own resources on completion.

Armitage is engaged in finishing woollen and worsted fabrics and specialises in bleaching whites and creams. Net assets at December 31, 1976, and the profit before tax for the year 1976, from audited accounts, amounted to £136,722 and £51,384 respectively. The freehold property is valued at £44,000 (based on net book value at December 31, 1976, with subsequent additions at cost).

The profits for the current year based on internal management accounts of Armitage have been running in excess of those for 1976.

While part of Jerome's production is already finished by Armitage it is intended that Armitage will continue to trade independently as it has done in the past and there will be no change in the management. The acquisition will strengthen Jerome's position in the industry.

NCB/BIT

In advising shareholders that a guaranteed minimum of 165p a share has been put on the value of their offer for the British Investment Trust, the National Coal Board Pension Funds also point out that the final closing date has been extended to 3 p.m. on Monday 12 December. The offer will not, according to the Pension Funds advisors, S. G. Warburg, be open for acceptance after that date, whether or not it has become or been declared unconditional.

A spokesman for S. G. Warburg denied last night that the pension funds were using strong arm tactics on shareholders. He pointed out that they were protected should the market rise by the formula on which the offer is valued, that they were protected should the market fall by the guaranteed minimum which the pension funds have agreed to pay, that there was nothing further to be said by either the pension funds or the directors of the trusts (who have urged shareholders to reject the bid) and that shareholders must now make up their own minds.

WM. EWART INVESTMENTS

On behalf of Reginald F. Clarke and Son, J. Balfour McGowan, and Mr. R. I. Stoupe (the offerors) announce that acceptances in respect of offers to acquire the capital of William Ewart Investments have been received in respect of 162,813 Ordinary shares (27.14 per cent.) and 41,198 Preference shares (20.60 per cent.). The offers remain open.

SONOCO/TPT

At meetings resolutions were passed approving the proposed scheme of arrangement for the acquisition by Sonoco Products Co. of the Ordinary shares of TPT not already owned by Sonoco or its subsidiary, TPT Investment Holding.

G. Dew in talks—shares jump 28p

The share price of G. Dew, the civil engineering and industrial building group, jumped 28p yesterday to close at 122p on the announcement that discussions were taking place which could lead to an offer being made for the company. The current market capitalisation is now just under £5m.

The talks, which are said to be at an early stage, are with an unnamed party. "Other discussions which have taken place in the past have proved abortive," the statement said.

UNITED BISCUITS PURCHASE

United Biscuits (Holdings) and B.O.C. International announce that agreement has been reached for the acquisition by UB from BOC's wholly-owned subsidiary BOC Limited of the business of King Harry Foods, which manufactures frozen pizza products principally for the U.K. Sales are made under the King Harry brand name and also on a private label basis.

King Harry will continue to trade from its existing premises at Thame near Oxford, and the existing management team will remain to run the business.

Assets involved are about £1.5m.

APPROACH TO REED & SMITH

Reed and Smith, the manufacturers, processors and merchanters of paper in which the National Enterprise Board has a stake of almost 30 per cent., has received a take-over approach from an unnamed party. The Reed and Smith share price was suspended, at the company's request, at a price of 35p—a level which places a market capitalisation on the company of £2.8m.

A further announcement is promised "as soon as practicable."

RIGHTWISE EXTENDS DEUNDI OFFER

Dunkley Marshall announces that its offer of October 31 made on behalf of Rightwise to acquire 375,150 Ordinary shares of Deundi, which was due to expire on November 25 has been extended and will remain open for acceptance until December 9.

Acceptances have to date been received from 30 Deundi shareholders in respect of 11,441 shares (2.2 per cent.). Rightwise and its concertees held or had agreed to acquire 170,500 Deundi shares (32.8 per cent.) on September 30 and have acquired a further 37,000 shares (7.1 per cent.) since that date.

WINTOUR SAYS 'WAIT'

The directors of Wintour Holdings have issued a holding statement telling shareholders to take no action over the offer to take over the company by A. A. Clark. The terms of the offer are currently under consideration.

GODFREYS

Ziflynn, a private company under the control of Mr. W. G. Wood, chairman of Godfreys, is to bid 2.5p per share for Godfreys.

An irrevocable undertaking to accept has been received from the liquidator of Norsteady Investments in respect of 5,481,021 shares (86 per cent.).

Godfreys, which operates as motor engineers and distributors, reported a pre-tax loss of £138,000 for the first six months of the year to April 30, 1977, compared with £89,000.

Control of the company was acquired by Norstead Investments a subsidiary of Burston Group—now in liquidation—in August, 1967.

SHARE STAKES

Trust Houses Forte—Sir Charles Forte, director, bought 2,300 shares on October 19.

Blagden and Noakes (Holdings)—Britannic Assurance is interested in 540,000 shares (10.14 per cent. of the 5,324,652 shares in issue) following the acquisition of W. W. Ball and Sons).

Crellon Holdings—Sonepar S.A. has disposed of 36,800 shares.

See Page 36

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Profit-taking cuts index back 4.8

OUR WALL STREET CORRESPONDENT

NEW YORK, Nov. 28.

A RECENT rallying movement on Wall Street was curtailed by profit-taking to-day following a record U.S. October trade deficit.

The Dow Jones Industrial Average reacted 4.85 to 839.57 and the NYSE All Common Index receded 31 cents to $53.02, while falls led gains by 891 to 573. Trading volume expanded by [illegible] shares to 21.57m. from last Friday's figure, which was particularly depressed by holiday influences.

Brokers said that concern over the weakening Dollar, consolidation of earlier gains and continuing uncertainty over Carter Administration policy were factors behind to-day's market decline.

Fears of a weak dollar were heightened by the report of a record decline in the U.S. trade deficit for October. The $3.1bn. deficit, which the Commerce Department said was exaggerated by the dock strike that began on October 1, was much larger than preliminary forecasts circulating before the figure was reported.

Among Computer and Electronic stocks, Honeywell declined $1½ to $48, IBM $1¾ to $267, Datapoint $1 to $38¼ and Texas Instruments $2½ to $73¼.

Dayton Hudson retreated $1¾ to $42¼ after stating that Carl R. Erickson has resigned as president of its Dayton's Department Store unit.

Sherwin-Williams lost $1¼ to $30, Smithkline $1½ to $47⅞, actively-traded NCR $1⅝ to $40⅜, and Marshall Field $1¼ to $23¼.

Shaklee advanced $1¼ to $44¼, responding to higher fourth-quarter and full year earnings.

PRICES ON the American SE put on a mixed performance in moderate activity, with the Amex index recording a net gain of 0.06 at 123.48 but declines outnumbering advances by 350 to 308. Volume 3.00m. shares (2.74m.).

TODAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
[illegible]co	166,000	27½	−⅜
[illegible]	161,100	40⅞	−1½
[illegible] Products	150,500	25⅞	−⅜
[illegible] State El. & Gas	143,500	19⅜	+⅛
Commonwlth. Edison	126,100	30¼	+⅛
Kennecott Copper	125,900	21⅝	−⅛
[illegible]rundum	121,900	47⅝	+⅛
Sears Roebuck	119,400	30⅞	−¼
General Motors	116,400	65⅝	−⅜
American Motors	115,600	4⅛	—

OTHER MARKETS

Canada higher

Canadian Stock Markets improved afresh yesterday in another good business, with the Toronto Composite Index closing 2.2 harder at 1013.2. The Gold index, reflecting higher Bullion prices, moved ahead 35.4 to 1184.8, while Oils and Gas rose 8.2 to 1358.5, Banks 0.50 to 232.83, and Utilities 0.67 to 165.85, but Papers shed 0.16 to 90.15.

Gold producers Dome Mines, $65, and Campbell Red Lake, $36, advanced $2¼ and $1½ respectively.

Amalgamated Bonanza rose $2¼ to $47¼—its Texas well has potentially productive sand. **Montreal Trust**, on declaring an extra dividend, put on $½ to $14¼.

PARIS—Stocks lost further ground in light trading, depressed by the franc's continuing weakness and yesterday's ⅛ of a point rise in the Call Money rate.

Also affecting sentiment was a newspaper poll showing the Socialist-Communist Alliance still likely to dominate the first round of next March's parliamentary elections.

Heaviest losses included Signaux, down 5.9 per cent., *Jeumont Industrie*, 4.5 per cent. lower, and Esso, off 5.7 per cent.

BSN-Gervais Danone declined Frs.9 to 446, Peugeot-Citroen Frs.3.5 to 290, Michelin "B" Frs.20 to 1,240, and BIC Frs.23 to 571.

BRUSSELS—A mixed trend prevailed in quiet conditions.

Fabrique Nationale receded Frs.60 to 2,525 and Solvay Frs.35 to 2,850, but Vieille Montagne gained Frs.55 to 1,645 and Petrofina Frs.25 to 3,850.

AMSTERDAM — Market hardened in a light turnover.

Royal Dutch led Dutch Internationals Fls.0.80 higher, while Transports had Van Ommeren Fls.4.50 firmer. Elsewhere, Heineken advanced Fls.2.70 ahead of its *1976-77 figures, due next week*. However, NMB, in Banks, shed Fls.0.40, while **Bijenkorf** eased Fls.0.50.

GERMANY—Shares displayed mixed movements in quiet trading, with buying interest very limited.

In Steels, **Kloecknerwerke** rose DM2.30, while Thyssen, despite stating that it expects to pay a lower cash dividend in 1976-77, improved DM0.80. GHH advanced DM5.20 and Metallgesellschaft DM4.

Hoechst, which announced lower nine-months profit, managed to hold steady at DM137.0. Other leading Chemicals, Electricals and Motors were barely changed, apart from BMW, which lost DM2, and Daimler, down DM5.50.

Public Sector Bonds were irregular with movements extending to DM0.10 either way. The Bundesbank bought DM1.1m. nominal of paper. Mark Foreign Loans were barely maintained.

SWITZERLAND — Narrowly irregular in low activity, with buying restrained by the fresh fall in the dollar.

Societe Pirelli were notably lower at Frs.235, down 18, but Nestle put on 30 to Frs.3,630.

Domestic and Foreign Bonds were a shade higher in moderate dealings.

MILAN — Stocks remained easier — inclined in a slow business.

Generale Immobiliare, however, *rose 8.50 more to L85.50 on news* that agreement has been reached on a new salvage plan.

Olivetti Privileged and ANIC were leading Industrials to show moderate gains against the downtrend, but Fiat declined 16 to L1,965.

In Bonds, interest centred on the Enel issue.

VIENNA — Irregular in continued quiet activity. Veitscher Magnesit rallied 4 points to 217.

COPENHAGEN — Insurances, Commodities, Shippings and Industrials edged higher.

STOCKHOLM—Market made a bright showing, with Cellulosa adding 6 at Kr.194 and Electrolux "B" 4 at Kr.110.

TOKYO—Market continued to rally in moderate trading, with investors welcoming the Cabinet reshuffle. The Nikkei-Dow Jones Average rose 32.34 more to 4,822.50, with Volume at 180m. shares, while the Tokyo SE Index put on 2.76 to 361.65.

Buying interest was also triggered by Prime Minister Takeo Fukuda's remarks on Saturday that a fresh approach was needed to stimulate the domestic economy.

JOHANNESBURG—Gold shares *picked up in thin trading on both* local and overseas interest following higher Bullion advices. Gains ranged from 5 to 75 cents.

Financial Minings were marginally firmer in line with producers, while Asbestos issues *were about 10 cents harder*.

HONG KONG—Slightly lower in dull trading, with limited selling centred on Blue Chips.

Hong Kong Bank and Jardine Matheson lost 20 cents each to $HK18.00 and $HK13.00 respectively, while Swire Pacific shed 5 cents to $HK5.95 and Wheelock 2.5 cents to $HK2.425.

Sun Company retreated 15 cents to $HK2.25 on the reduced interim dividend.

AUSTRALIA — Share prices showed a modest recovery after last week's weakness, but with concern over the Government's election prospects remaining a restraining factor.

Among Industrials, BHP gained *8 cents to $A5.22, while Jennings* added 5 cents at $A1.10. Myer, in Stores, hardened 3 cents to $A1.78.

Most Banks gained ground, BNS Wales rising 4 cents to $A5.06 and ANZ 9 cents to $A3.22, but National receded 5 cents to $A2.45.

In the Mining sector, Utah advanced 20 cents to $A3.25, Peko-Wallsend 15 cents to $A4.65, and Queensland Mines 10 cents to $A1.65, while CRA added 7 cents at $A2.15.

Indices

NEW YORK—DOW JONES

	Nov. 28	Nov. 25	Nov. 23	Nov. 22	Nov. 21	Nov. 18	1977 High	1977 Low	Since compilation High	Since compilation Low
Industrial	839.57	844.42	848.58	842.52	836.11	835.76	999.75 (3/1)	800.85 (2/11)	1051.70 (11/1/73)	41.22 (2/7/32)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

N.Y.S.E. ALL COMMON

Nov. 28	Nov. 25	Nov. 23	Nov. 22	1977 High	1977 Low
53.02	53.33	53.19	52.94	57.07 (4/1)	49.78 (2/11)

Rises and Falls

	Nov. 28	Nov. 25	Nov. 23
Issues traded	1,893	1,817	1,887
Rises	573	830	1,026
Falls	891	547	452
Unchanged	429	440	409
New Highs	74	95	111
New Lows	13	9	14

MONTREAL

[illegible]

TORONTO

[illegible]

JOHANNESBURG

[illegible]

Indices and base dates (all base values 100 except NYSE All Common — 50, Standards and Poors — 10 and Toronto [illegible]) [illegible]

OVERSEAS SHARE INFORMATION

Investment premium based on $2.60 per £ — 97⅞% (97%)

[illegible]

GERMANY ♦

Nov. 28	Prices Dm	+ or —	Div. %	Yld. %
A.E.G.	93.8	+0.2	—	—
Allianz Versich	469.5	−3.5	18	1.9
BMW	234	−2	20	4.3
BASF	146.0	.....	17	5.8
Bayer	138	−0.4	16	5.8
Bayer. Hypo	299.5	+1.5	20	3.3
Bayer. Vereinsbk	306	−1	20	2.7
Chmint. Ned. wrts	210	.....	—	—

TOKYO ¶

Nov. 27	Prices Yen	+ or —	Div. %	Yld. %
Asahi Glass	345	+1	14	2.0
Canon	448	−3	11	1.2
Casio	465	−5	25	2.7
Chinon	345	+25	20	2.9
Dai Nippon Print	515	+9	18	1.7
Fuji Photo	580	−5	15	1.3
Hitachi	182	−6	12	3.3

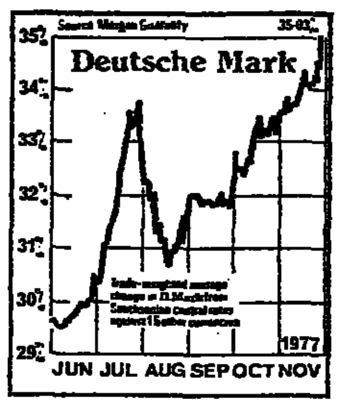
$ very weak

Trading was rather quiet but nervous, ahead of the announcement of the U.S. trade figures for October. Most currencies were fairly steady before the news, and intervention by central banks was *on a much smaller scale than on* some days last week. The Bank of Japan gave support to the dollar in Tokyo, to prevent the yen from rising above the Y240 level, and the West German Bundesbank also bought dollars at the *fixing in Frankfurt*. Pressure on the European currency snake was reduced in early trading but the authorities in Brussels continued to sell D-marks to keep the Belgian franc within the permitted limits of the joint float agreement.

After publication of the record U.S. trade deficit the Swiss franc touched a record level of Sw.Frs.2.14, and closed at Sw.Frs.2.1430, compared with Sw.Frs.2.1582½ on Friday. The D-mark rose to DM2.21 against the dollar, before closing at DM2.2140, compared with DM2.2170 before the week-end.

Sterling opened at $1.8160-1.8170, and touched a best level of $1.8195-1.8205. It closed at $1.8185-1.8195, a rise of five points on the day. The pound's trade-weighted index, as calculated by the Bank of England, rose to 63.3 from 63.2, after standing at 63.3 at noon and 63.2 in early trading. The dollar's *depreciation, on Morgan Guaranty* figures, widened to 2.84 per cent. from 2.77 per cent.

Gold rose $3¼ to $161½-162, following increased buying interest in a fairly thin market.



CURRENCY RATES

	Special Drawing Rights November 28	European Unit of Account November 28
Sterling	0.652953	0.644574
U.S. dollar	1.18736	1.17211
Canadian dollar	1.31675	1.29923
Austria Sch.	18.8073	18.5570
Belgian franc	41.6625	41.0295
Danish krone	7.27477	7.18444
Deutschemark	2.63625	2.60285
Dutch Guilder	2.85019	2.81375
French franc	5.76211	5.68918
Italian lira	1041.35	1028.17
Japanese yen	284.959	281.748
Norway krone	6.40505	6.32586
Spain peseta	97.7873	96.5174
Swedish krone	5.69776	5.62549
Swiss franc	2.55870	2.52727

* Rate is convertible franc. Financial franc 40.7657.

EXCHANGE CROSS-RATES

Nov. 28	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.2207-17	45.75-86	6.34-35	4.033-039	92.48-68	102.96-3.06
New York	45.16-17	—	20.62-64	2.2640-60	1.8168-8175	41.74-77	46.60-65
Paris	218.42-58	4.847-853	—	13.856-990	8.8162-8868	202.01-51	224.0-5.4
Brussels	15.74-79	34.56-35.05	7.30-25	—	65.57-75	14.56-61	16.22-27
London	4.32-.351	1.8185-8195	8.812-826	63.47-57	—	4.354-36½	3.87-.90½
Amst'dam	108.025-155	2.5392-4017	49.495-505	6.8575-6225	[illegible]	—	[illegible]
Zurich	96.97-98	2.1400-20	44.27-31	6.1525-8	[illegible]	[illegible]	—

U.S. $ in Toronto U.S. $=110.92-96 Canadian cents.
Canadian $ in New York $=90.12-14 U.S. cents. U.S. $ in Milan 877.00-20.
Sterling in Milan 1595.25-1596.65.

EURO-CURRENCY INTEREST RATES*

Nov. 28	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German mark
Short term	5½-6	6-7	6¼-6½	[illegible]	[illegible]	[illegible]
7 days notice	5¾-6	6¼-7¼	6⅝-6⅞	[illegible]	[illegible]	[illegible]
Month	6¾-7¼	7-7⅝	7⅛-7⅜	[illegible]	[illegible]	[illegible]
Three months	7¼-7½	7½-7½	6⅞-7⅛	[illegible]	[illegible]	[illegible]
Six months	7¾-8¼	7½-7¾	6⅞-7⅛	[illegible]	[illegible]	[illegible]
One year	8¼-8⅝	7⅝-8	7⅛-7⅜	[illegible]	[illegible]	[illegible]

Euro-French deposit rates: two-day 9 11/16-9 15/16 per cent.; seven-day [illegible] per cent.; one-month 11½-11⅞ per cent.; three-month 12⅛-12⅝ per cent.; six-month 12 13/16-13 1/16 per cent.; one-year 12⅝-13⅛ per cent.

Long-term Eurodollar deposits: two years 7 9/16-7 13/16 per cent.; three years 7 11/16-7 15/16 per cent.; four years 7¾-8 per cent.; five years 7¾-8 per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 6.60-6.70 per cent.; three-month 6.85-6.95 per cent.; six-month 7.05-7.15 per cent.; one-year 7.25-7.35 per cent.

* Rates are nominal closing rates.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

GOLD MARKET

	Nov. 28	Nov. 25
Gold Bullion (a fine ounce)		
Close	$161½-162	$158-158½
Opening	$159½-160	$157-157½
Morning fix'g	$160.50 (£88.245)	$157.90 (£87.021)
Afternoon fix'g	$161.60 (£88.850)	$158.00 (£86.909)
Gold Coins domestically		
Krugerrand	$167½-169½ (£92½-93½)	$164-166 (£90½-91½)
New Sov'r'gns	$48-50 (£26½-27½)	$47½-49½ (£26-27)
Old Sov'r'gns	$47½-49½ (£26½-27½)	$47½-49½ (£26-27)
Gold Coins internat'lly		
Krugerrand	$166½-168½ (£91½-92½)	$162½-164½ (£89½-90½)
N'w Sov'r'gns	$48-50 (£26½-27½)	$47½-49½ (£26-27)
Old Sov'r'gns	$47½-49½ (£26-27)	$46½-48½ (£25½-26½)
$20 Eagles	$246½-249½	$243½-246½

FOREIGN EXCHANGES

Nov. 28	Bank Rate %	Market Rates Day's Spread	Market Rates Close
New York	6	1.8160-1.8205	1.8185-1.8195
Montreal	7½	2.0120-2.0165	2.0168-2.0176
Amsterdam	4½	4.34½-4.37½	4.35½-4.36½
Brussels	6	65.35-65.75	65.47-65.57
Copenhagen	9	11.12½-11.15½	11.13½-11.14½
Frankfurt	3½	4.01½-4.05	4.02½-4.03½
Lisbon	15	73.50-74.00	73.60-73.75
Madrid	8	149.35-149.85	149.75-149.85
Milan	11½	1.591-1.596	1.594½-1.595½
Oslo	6	9.80½-9.84	9.81-9.82
Paris	9½	8.79-8.83	8.81½-8.82½
Stockholm	8	8.70½-8.74½	8.71½-8.72½
Tokyo	4¼	432-442	436½-438
Vienna	5½	28.65-28.85	28.70-28.80
Zurich	1½	3.88-3.95	3.89½-3.90½

‡ Rates given are for convertible francs. 63.50-63.70.

OTHER MARKETS

		Notes	Rate
Argentina	1004.1-1004.3	Argentina	980-1000
Australia	1.5989-1.6151	Austria	28¼-29½
Brazil	28.04-28.24	Belgium	65¼-65¾
Finland	7.63-7.65	Brazil	32-36
Greece	64.660-66.274	Canada	2.00-2.02½
Hong Kong	8.45½-8.48½	Denmark	11.00-.20
Iran	124-132	France	8.75-8.90
Kuwait	0.509-0.519	Germany	4.00-4.15
Luxembourg	63.47-63.57	Greece	74-79
Malaysia	450.0-452.0	Italy	1578-1618
[illegible]	[illegible]	[illegible]	[illegible]

Remaining share price tables (NEW YORK, CANADA, AMSTERDAM, COPENHAGEN, VIENNA, SWITZERLAND, MILAN, BRUSSELS/LUXEMBOURG, AUSTRALIA, PARIS, STOCKHOLM, BRAZIL, OSLO, JOHANNESBURG, SPAIN): [illegible]

Securities Rand Discount 35⅝%.

هكذا من الأصل

FARMING AND RAW MATERIALS

Copper and lead buying lifts prices

By Our Commodities Staff

...H REPORTS that the ...t Union was once more ...g lead and that Japanese ...sts were busy in the copper ...et again pushed up prices ...oth metals on the London ... Exchange yesterday.

...ee months copper wirebars ... the day £9.25 a tonne up ...£81.50, with the reported ...g on behalf of Japanese ...sts taking place at around ... Forward cathodes gained ... ending the day at £671.25 ...

...lers said that in the morn... the USSR bought between ...and 2,000 tonnes of lead ...g its total purchases over ...t two weeks to around ...onnes.

... added that the metal ... bought from London ...nts who may have covered ... part of their sales with ...es on the LME.

...e months lead increased ...onne to end the day at ... still well short of the £455 a tonne reached ... March.

... prices improved margin... the wake of the increases ...d. The tin market ended ... three months standard ...down £80 at £7,110 a tonne.

Good beginning for main winter wheat crops

BY OUR COMMODITIES STAFF

PROSPECTS FOR the U.S. winter wheat crop are excellent and early conditions in Western Europe are favourable, according to the International Wheat Council (IWC). In its latest wheat market report the council says planting of U.S. winter wheat was virtually complete by the first week in November. "Prospects for the development of the new crop are generally excellent."

Favourable planting and germination conditions are reported in Western Europe, with the exception of Italy and Yugoslavia, and in West Germany the area under wheat is unofficially estimated 2 per cent higher than last year.

Eastern Europe is also enjoying good conditions except in some southern areas where soil moisture has been reported as inadequate. In the USSR, plantings are expected to exceed those of last year although they will probably fall short of the 44m hectare target. And in China, where plantings are complete, the crop has benefited from rain following the recent dry spell.

The Wheat Council has reduced its estimate of 1977 wheat output but the total is still expected to be the second highest ever. The crop is now put at 383m. tonnes against the November 1 forecast of 385m.-390m. tonnes.

A record crop of 417.9m. tonnes was produced in 1976. The latest assessment takes into account the bigger-than-expected cut in Soviet output announced recently in Moscow.

On November 2, the USSR estimated that its total grain harvest this year would be 194m. tonnes. The IWC now agrees with the U.S. Department of Agriculture (USDA) that 1977 USSR wheat output will total 90m tonnes. The previous IWC estimate was 95m.-100m. tonnes.

Closing stocks of wheat in the five major exporting countries at the end of their respective crop years are projected at 51.8m. tonnes, some 3.4m. tonnes less than estimated on November 1, and 2.7m. tonnes below the estimated level of 54.3m. in 1976-77, the IWC said.

Wheat futures remained firm in the U.S. in the first three weeks of November, IWC noted, adding that an increase in export demand was expected for U.S. wheat, particularly because other major exporting countries were thought to have already committed most of their export supplies.

Aggregate world closing stocks of wheat (excluding China and the USSR) are now projected at 72m. tonnes at the end of the 1977-78 crop year, which compares with the previous estimate of a 5m-tonne drop to 78m. tonnes, the Wheat Council said.

Prospects for 1977 wheat production in Southern Hemisphere countries have diminished further. Argentina is expected to produce a crop of only 6.5m. tonnes, including some 300,000 tonnes of durum wheat—40 per cent. down on last year.

New lows in cocoa market

By Our Commodities Staff

THE RECENT decline in cocoa prices resumed on the London futures market yesterday with nearby positions falling to new 10-month lows. January delivery cocoa ended the day £56.50 lower at £1,923 a tonne.

Prices drifted lower after the opening as dealers weighed up the significance of news that up to 31 steamers carrying between 30,000 and 45,000 tonnes of cocoa were headed for northern Europe. In the afternoon the bearish trend was further encouraged by the emergence of more producer selling, particularly from the Ivory Coast.

Falls were registered in all positions but nearbys bore the brunt of the decline, indicating that the market was reacting to an unwinding of the recent supply squeeze rather than an alteration in medium to long-term prospects.

No main crop purchase figure was published by the Ghana Cocoa Marketing Board yesterday but dealers said that if the figure had been anything like recent ones it would have been ignored in any case.

This season's figures, which have taken the official total to only 20,000 tonnes in the first five weeks, have been received with undisguised scepticism by most dealers.

Better times ahead for meat producers

BY CHRISTOPHER PARKES

REGARDLESS of what the Common Market's Agriculture Ministers decide in Brussels next spring, British farmers can expect substantial price increases for their cattle, pigs and sheep during 1978. Returns on cereals will tend to steady around the official intervention prices, while the only possible source of consolation for the consumer would appear to be abundant supplies of eggs at low prices.

Weather - permitting, and assuming that incomes rise about 15 per cent. while inflation slows to 12 to 13 per cent. in the New Year, these are the key forecasts in the latest edition of "The Outlook for Agriculture" published by Aberdeen University's ever-busy School of Agriculture.

For the rest of this year and the early part of 1978, beef producers seem fated to earn only the official U.K. target price for their stock. Even though production is down by an estimated 6 per cent., imports from Ireland and elsewhere have stopped this fall from having its usual impact on prices.

The authors say that live cattle imports this year could exceed 300,000 head. Although this is not a record, it is 30 per cent. higher than last year. Imports of carcase beef are said to be up 55 per cent.

For 1978 they forecast a further 1 per cent. reduction in domestic beef production. This, coupled with pork shortages and increased consumer spending power, should lead at last to price rises.

From current levels around 55p a kilo, fat cattle prices are expected to rise to 67p by June, and although there will be the usual seasonal slump in the autumn, it should not be so marked as this year's.

The Aberdeen team suggests that following the reduction in the pig breeding herd this season, pig fatteners should get an average price increase during 1978 of about £1.70 a head, with bacon prices going up around 8 per cent. Pigmeat production could be 10 per cent. down, they say.

Frozen birds

The supply of lambs in the first quarter of 1978 will probably be 3 per cent. down on last winter. New Zealand imports should be stable, although there may be stronger demand in the French market to help force up lamb prices.

As prices improve, farmers will tend as usual to hold back more ewe lambs from market for use in the breeding herd in the future.

The authors note that although an EEC sheepmeat marketing regime may emerge during the course of the year they do not expect it to have any dramatic effect on the market.

For milk producers, who expect a further price rise on January 1 when the U.K. takes the final transitional step to EEC pricing, the forecasters say there will probably be a freeze on the target price for milk at the Common Market review.

There may, however, be an increase by way of a devaluation of the "green pound"—a measure which is almost wholly under the control of the Ministry of Agriculture.

Cow prices are expected to remain steady at current high levels, and continued interest among French buyers in British calves should ensure that returns will remain high, particularly for young Friesian bull calves.

In the poultry business, broiler producers can expect their prices to be dragged up in the wake of increases among red meats. And since feeds are getting cheaper, profit margins should improve. Although stocks of frozen birds are at present double last year's levels, they are not expected to weigh heavily on the generally buoyant market.

There is also a heartening assessment of the prospects for the costs of food production. Increases generally should moderate and some inputs — feedingstuffs and interest rates for example — are expected to fall during 1978.

World markets will be abundantly supplied with fertiliser, but negotiations now under way in Britain will probably lead to price increases among compound fertilisers of 5 to 12 per cent.

Whale catch quota may rise

By Our Commodities Staff

...ATION of the strict limit ... number of North Pacific whales to be caught in the ... whaling season has been ...nended by the International Whaling Commission's ...fic committee under pres... from Japan and the Soviet ...

... committee was persuaded ... the help of "new informa...n stocks" to say that the ... of 763 whales, set five ...s ago should be increased ... than eightfold to 6,444 ...ing to Commissioner Jean-...Forton-Gouin, speaking in ... yesterday.

... Commission cut the quota ... from 7,200 last June. ... committee's recommenda...ill be considered at a full ...g of the Commission in ... on December 6 and 7. ... June the Commission ...ced an overall cut of ... cent. or more than 10,000 ... quotas for all types of ...

Moves to underpin beef market

BY OUR COMMODITIES STAFF

THE BRITISH Government has taken emergency action to push up the price farmers earn at market for their beef animals because its system of guaranteed prices seems to be on the verge of breakdown.

The Ministry of Agriculture announced yesterday that for the first time since May 1976, the Intervention Board — the official EEC support buying body in Britain — would again be permitted to buy up meat from grade "M" beef steers.

These are prime meat animals, source of the best quality beef, and constitute about 2? per cent. of the total beef slaughterings in Britain.

The Ministry hopes that the Intervention Board will take in surpluses which are depressing farmers' prices and that a reduction in the supply of meat to the retail chain will help improve returns.

Although out of line with Government policy of avoiding any contribution from Britain to the Common Market's food "mountains," this change was forced on the Ministry by the threatened collapse of its own support measures.

As a special concession the U.K. is allowed by the EEC to operate its own beef support system. Farmers are guaranteed a certain price, and if their market returns fall short of this level, they are topped up with deficiency payments paid partly by the Exchequer and partly by the EEC.

However, there is a limit on these deficiency payments of 5.74p a kilo—or about £15 an animal—which has almost been reached. There is thus a danger that the guarantee system might fail in the near future.

At present there are about 11,000 tonnes of beef in British intervention stores out of a Common Market total of 380,000 tonnes. The British stockpile is growing by 500-600 tonnes a week.

London tea auctions ban 'unlikely'

By Our Commodities Staff

SUGGESTIONS that the Indian Government might ban sales of Indian tea at the weekly London auction were dismissed yesterday by members of the London tea trade.

Last week the Indian public accounts committee said Indian crops should be sold only inside India to prevent the loss of valuable foreign exchange.

But the London Tea Brokers' Association said yesterday that such suggestions have been made regularly over the past 2? years and no action has ever been taken.

He doubted that the Indian Government would consider such a move as it would endanger its share of the world's biggest tea export market.

Prices were little changed at yesterday's London auction. Quality tea fell 4p to 126p a kilo while medium grade tea fell 6p to 124p and plain tea rose 2p to 70p. Traders reported better general inquiry for good quality tea but said there was little demand for poorer types.

More elms die as disease races North

BY CHRISTOPHER PARKES

DUTCH ELM disease has killed another 2m. elms in the south of Britain during the past 12 months, and is spreading rapidly in the North—a region previously only lightly infected.

In its autumn review of the disease's progress, the Forestry Commission records the deaths of about 11m. elms out of an original population of 23m. in the region South of a line from the River Mersey to the Wash.

Most of the elms in the worst-hit areas—the West Midlands, Surrey, Hampshire and West Sussex—are now dead. Isolated groups in East Sussex and around Brighton and Hove have so far avoided the worst ravages.

Serious outbreaks have developed in most northern counties during the past year, particularly along the areas bordering the heavily-infected southern region.

Reports of the disease have been coming in to local authorities at between double and five times the rate recorded in 1976.

Scotland, too, now appears to be threatened. The aggressive strain of the disease was first reported there in 1975. By the end of 1976 the total of diseased trees was estimated at 500. But, the Commission reports, "the total has now probably reached several thousand."

LONDON COFFEE TRADING IN $

... Coffee Terminal Market ...ation of London plans to ...duce Arabica coffee trad... dollars early next year, ...ing to market sources.

Cold and floods hit NZ lambs

BY DAI HAYWARD

WELLINGTON, Nov. 28.

THERE WILL BE a shortage of new season New Zealand lamb in the U.K. over Christmas, the NZ Meat Producers' Board has now officially admitted.

The Board said it had originally planned to have about 5,000 tonnes of new season lamb available for Christmas, but the amount now available seems likely to be less than half that figure.

"Two lamb shipments totalling 1,150 tonnes have already left for the U.K., but that will be inadequate to meet pre-Christmas demand," the Board stated.

The cold, wet spring, poor grass growth and floods in September which killed 400,000 lambs — most destined for the British market — are mainly responsible for the shortage.

Hold-ups at abattoirs have also contributed to the difficulties, and a 48-hour waterfront strike at the week-end dealt yet another blow to the Board's efforts to keep shipments moving.

The last New Zealand ship due into Britain before Christmas docks on December 10.

Meanwhile, the management of one of New Zealand's biggest freezing works processing lamb for Britain, which has been closed for a week, has said it may never re-open if mutton butchers persist with their claim for $NZ100 pay a day.

● Christopher Parkes adds: In London the Meat Board stressed yesterday that there were ample supplies of old season New Zealand lamb in store in Britain.

The refrigerated stockpile is currently 25,500 tonnes, compared with 15,300 tonnes at this time last year.

Christmas was not a traditional marketing season for lamb, the Board said. They were more concerned about shortages continuing into January and February. There had been several cancellations of refrigerated space booked in ships due to sail for the U.K.

PLATINUM PRICE

Rustenburg Platinum Mines has raised its minimum price for platinum from $162 to $175 per troy ounce. So far, Impala and Inco, the two other major producers, have not followed the move.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

...ER—Gained ground on the London ...xchange primarily because of ...d buying from a source usually ...d with Japanese interests. For...etal started at £673 and began ...

£651.5, before a close on the Kerb of £664. Turnover 13,350 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £660.5, 59.5, three months £673, 74, 73.5, 74, 74.5, 73, 74.5. Cathodes, cash £649, three months £664.5, 64. Kerbs: Wirebars, cash £660, three months £675 ...

TIN—Steady following a firm rise in the East ... expected and the price moved to £6,945 before easing slightly. In the afternoon £6,930 was reached, helped by short covering, but profit-taking caused a reaction to a close on the Kerb of £6,910 after a routine trading day. Turnover 890 tonnes.

Morning: Standard, cash £7,190, three months £6,940, 30, 40, 45, 40. High Grade, three months £6,950. Kerbs: Standard, three months £6,950. High Grade, cash £7,150. Afternoon: Standard, three months £6,940, 45, 50, 40, 45, 30, 45. High Grade, ...

	£	£	£	£
	659.5-60	+4.5	665.5-6.5	+8
	674.5-.75	+5.87	681.2	+9.25
	660	+4.5	—	.....
	649-.5	-3.5	656.7	+8
	665.5-4	-5.5	671-.5	+8.75
	649.5	+4.5		
				60

...dex Limited 01-351 3466.

Gold: One month 161.8-163.3. Three months 163.6-165.6

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7170-90	+85	7100-20	—80
3 months	6990-5	+87½	7000-10	+85
Settlem't	7190	+90		
Standard				
Cash	7170-80	+90	7100-20	—80
3 months	6935-40	+150	6945-50	+52.5
Settlem't	7180	+80		
Straits E.	†1795	+10		
New York				

LEAD—... East European buying ...

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
Cash	352.5		354.5-5.5	
3 months	358-.5	+4.25	361.5	+6
Settlem't	352.5			
N.Y. Spot				

ZINC—Steady, influenced by lead ...

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
Cash	290.5-1	+2.25	291.2	+2.5
3 months	296.5-.75	+1.87	297.5	+2
S'ment	291	+2		
Prim. West				

SILVER

Silver was fixed 4.15p an ounce higher for spot delivery in the London bullion market yesterday ...

COCOA

Initial weakness attracted sellers and as values eased resultant liquidation held the market under pressure ... Gill and Duffus.

COFFEE

On an inactive day London coffee traded in a tight range around the £1,900 level, basis January, for the whole session, reports Drexel Burnham Lambert. Initial strength was short-lived as dealer selling took the market to the low ...

RUBBER

STEADIER opening on the London physical market ...

GRAINS

LONDON FUTURES (GAFTA)—Wheat ...

February: M. wheat 90.70, M. wheat (other) 89.80, Feed wheat 73.80, Malting barley 75.50, Feed barley 71.50.

HGCA—Average ex-farm spot prices for week ending November 24. Other milling wheat: East 85.50, E. Midlands 87.50, N.E. 87.60, U.K. 86.40. Change +10. Turnover 1,315. Feed barley: S.E. ...

JUTE

DUNDEE—Minimum export prices raised in Bangladesh but no change in prices quoted in the U.K. Prices c. and f. U.K. for Dec.-Jan. shipment: BWB £246, BWC £236, BWD £220. Tossa: BTB £247, BTC £236, BTD £228. Calcutta goods ...

VEGETABLE OILS

LONDON SOYABEAN OIL—The market ...

SOYABEAN MEAL

SUGAR

LONDON DAILY PRICE—Raw sugar ...

MEAT/VEGETABLES

MEAT COMMISSION—Average fatstock prices at representative markets on week ...

WOOL FUTURES

LONDON—The market was dull and featureless, reports Bache. ...

PRICE CHANGES

Prices per tonne unless otherwise stated.

	Nov. 28 1977	+ or —	Month ago
Metals			
Aluminium	£680	......	£680

FINANCIAL TIMES

REUTER'S

DOW JONES

MOODY'S

GRIMSBY FISH

COTTON

COTTON—Liverpool. Spot and shipment sales amounted to 397 tonnes, reports F. W. Tattersall. ...

U.S. Markets

Soyabeans and grains end weaker

NEW YORK, Nov. 28.

COCOA closed lower on speculative profit-taking. Precious metals eased on local liquidation selecting light commission-house sell-stops. Coffee finished mixed in quiet trading. Soyabeans opened strong on local buying but closed weak on local and commercial selling due to a lack of follow-through after the opening, Bache reports.

Cocoa—Ghana and Bahia spots unavail. Dec. 173.30 (176.60), March 148.90 (152.50), May 139.30, July 134.90, Sept. 132.00, Dec. 128.00, March 125.00 settlements. Sales: 1,312.

Coffee—"C" Contract: Dec. 210.00-214.00 (211.00), March 169.75 (169.36), May 153.50, July 145.00-145.50, Sept. 141.00-142.75, Dec. 126.00-128.00, March 126.00-128.00. Sales: 390 lots.

Copper—Dec. 55.60 (55.50), Jan. 56.10 (56.00), March 57.10, May 58.10, July 59.10, Sept. 60.10, Dec. 61.40, Jan. 61.90, March 62.50, May 63.70, July 64.60, Sept. 65.60 settlements. Sales: 5,602 lots.

Cotton—No. 2: Dec. 51.10 (51.20), March 51.60 (51.82), May 52.45-52.50, July 53.25-53.26, Oct. 54.15-54.25, Dec. 54.75-54.90, March 55.50-55.85, May 55.50-56.50. Sales: 175,000 bales.

*Gold—Dec. 160.80 (159.50), Jan. 161.90 (160.60), Feb. 163.00, April 165.20, June 167.40, Aug. 169.60, Oct. 171.80, Dec. 174.10, Feb. 176.40, April 178.70, June 181.00, Aug. 183.30 settlements. Sales: 7,352 lots.

†Lard—Chicago loose 19.50 nom. (same). New York prime steam 21.00 nom. (21.25 nom.).

... Maize—Dec. ... March ..., May ..., July ..., Sept. ..., Dec. ...

‡Platinum—Jan. 172.50-174.00 (169.50), April 175.20-176.20 (172.20), July 179.10-179.30, Oct. 182.00-182.20, Jan. 184.00, April 187.70-187.90. Sales: 1,360 lots.

‡‡Silver—Dec. 472.20 (474.50), Jan. 473.40 (477.80), March 481.00, May 487.90, July 494.20, Sept. 500.50, Dec. 509.50, Jan. 513.00, March 519.30, May 525.60, July 531.90, Sept. 538.30 settlements. Sales: 11,500 lots. Handy and Harman silver spot NY 477.50.

Soyabeans—Jan. 592½-591 (611½), March 601-600 (619½), May 606½-607½, July 615-613½, Aug. 615, Sept. 599½, Nov. 592½-593, Jan. 598.

*Soyabean Meal—Dec. 156.50-157.00 (164.90), Jan. 157.50-158.00 (165.30), March 161.30-161.00, May 163.50-163.00, July 166.00-165.50, Aug. 168.00-167.00, Sept. 165.00-164.00, Oct. 163.00-163.50, Dec. 164.50-165.00.

Soyabean Oil—Dec. 22.10-22.15 (22.45), Jan. 21.65-21.70 (22.03), March 21.45-21.50, May 21.25-21.30, July 21.15, Aug. 20.95, Sept. 20.30-20.35, Oct. 19.80-19.90, Dec. 19.75-19.55.

Sugar—No. 11: Jan. 8.40-8.50 (8.43-8.60), March 9.05-9.06 (9.10), May 9.32-9.33, July 9.52-9.55, Sept. 9.97-9.99, Oct. 10.07-10.08, Jan. 10.20-10.50, March 10.64. Sales: 2,065 lots.

Tin—590.00-605.00 asked (602.50 asked).

**Wheat—Dec. 267½ (275), March 278½ (285½), May 283-282½, July 286, Sept. 291½, Dec. 298.

WINNIPEG, Nov. 28. ††Rye—Dec. 111.60 bid (113.60 bid), May 113.50 asked (115.10), July 111.30 asked.

††Oats—Dec. 74.80 bid (74.60), May 71.70 bid (71.70 bid), July 69.30 bid.

$Barley—Dec. 77.70 (77.20), May 76.20 asked (75.90 asked), July 75.50.

dFlaxseed—Dec. 213.20 (216.70 bid), May 221.00 (224.00 bid), July 223.00 asked.

Wheat—SCWRS 13.5 per cent. protein content cif St. Lawrence 396½ (402½).

All cents per pound ex-warehouse unless otherwise stated. * Cents per 60-lb bushel ex-warehouse. ‡ $'s per troy ounce—100-ounce lots. † Chicago loose $'s per 100 lbs—Dept. of Ag. prices previous day. Prime steam f.o.b. NY bulk tank cars. ‡‡ Cents per troy ounce ex-warehouse. h New "B" contract in $'s a short ton for bulk lots of 100 short tons delivered f.o.b. cars Chicago, Toledo, St. Louis and Alton. ‡ $'s per troy ounce for 50-ounce units of 99.9 per cent purity delivered NY. ** Cents per 60-lb bushel in store. †† Cents per 56-lb bushel ex-warehouse, 5,000 bushel lots. r Cents per 24-lb bushel. $ Cents per 48-lb bushel ex-warehouse, 5,000 bushel lots. d Cents per 56-lb bushel, ex-warehouse, 1,000 bushel lots.

COMPANY NOTICES

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Montedison resignation

BY PAUL BETTS

ROME, Nov. 28.

A FURTHER shake-up in the top management of Italy's crisis-ridden chemicals conglomerate, Montedison, surfaced here to-night with the surprise resignation of Signor Alberto Grandi, the company's senior vice-chairman.

A company spokesman would make no further comment, but it is understood that Sig. Grandi was dissatisfied with his area of responsibility following a reorganisation of senior management functions after the resignation earlier this year of the Montedison chairman, Sig. Eugenio Cefis.

Sig. Giuseppe Medici (70), the veteran Christian Democrat politician and former Minister, who succeeded Sig. Cefis, is to take over Sig. Grandi's executive responsibilities temporarily, presumably pending a further reorganisation of the top management structure.

Montedison, which employs nearly 150,000 people, reported losses last year of L172bn. or close on £115m.

EUROBONDS

Two more £ bonds launched

By Francis Ghilès

CONTRARY to some expectations, two further sterling bonds (£ bonds) were launched yesterday. Fisons International Financing NV is raising £10m. for 10 years with an indicated coupon of 10 per cent. The issue which is guaranteed by Fisons Ltd. is led by Morgan Grenfell with Deutsche Bank and UBS (Securities) as co-lead managers.

The same three banks arranged the $20m. bond for the same company last July, but the most significant feature of this bond is that it represents the first sterling denominated issue for a U.K. company.

Meanwhile the European Investment Bank (EIB) is raising £25m. for 15 years on an indicated coupon of 9½ per cent. Credit Suisse White Weld is lead manager and the bonds are expected to be priced at a discount if to-day's market conditions prevail.

A purchase fund will start in the first year and operate quarterly. If fully used it will give the bonds an average life of 11.05 years. First market reaction was that the terms were rather tight.

In the secondary market, the two sterling denominated issues were unchanged and seemed to have found their natural level.

In the dollar sector of the market, yesterday was exceptionally busy for a Monday according to dealers, with some reporting prices up by a quarter on the day. The trend which has developed in the past few weeks was confirmed, despite the continuing weakness of the dollar.

The $30m. bond for the City of Gothenberg was priced at 99½, to yield 8.33 per cent. and the $20m. bond for Orient Leasing at 99¾, to yield 8.30 per cent.

In the Deutschemark sector of the market a DM150m. issue for Megal (Middle European Gas Pipeline) Finance, a joint subsidiary of Ruhrgas and Gaz de France, is expected to be announced by Dresdner Bank on Wednesday. This would be Megal's first issue in this market.

The DM40m. private placement for the City of Vienna which is being arranged by Hessische Landesbank is expected to carry a coupon of 5¾ per cent. and to be priced at par.

In the Swiss franc sector, the City of Bergen plans to float a Sw.Frs.50m. 15-year 4½ per cent. bond with Credit Suisse as lead manager.

GERMAN NEWS

Hoechst setback extends to 16%

BY GUY HAWTIN

FRANKFURT, Nov.

HOECHST, the last of West Germany's "big three" chemical concerns to report on the first three quarters of 1977, has seen pre-tax earnings plunge by 15.8 per cent. Pre-tax profits of Hoechst AG, the parent, declined by 19 per cent.

Like its competitors BASF and Bayer—whose pre-tax setbacks were 19.6 per cent. and 6.1 per cent., respectively—Hoechst has been hit by the decline in the value of the dollar and the subsequent increase in Deutsche mark's parity against the currencies of its leading trade partners. To-day's interim report emphasises that it has suffered from a severe pressure on prices and declining demand both at home and abroad.

At home, there has been strong competition from imported chemical products, which have received a strong boost from the appreciation of the D-mark. At the same time, the group's export possibilities have been limited by the "unhealthy" developments in the currency markets.

World turnover, which had risen by a disappointing 2.1 per cent. during the first half of the year, showed growth of only 1.2 per cent. for the first three quarters. It totalled DM17.38bn. (£4.32bn.), compared with DM17.18bn. in the opening nine months of 1976.

The picture at Hoechst AG was even more gloomy. Against the comparable period of last year, sales actually fell 1.3 per cent. from DM7.24bn. to DM7.15bn. Home sales, at DM3.47bn., were off 2.9 per cent., while exports went up by a mere 0.4 per cent. to DM3.68bn. Exports as a proportion of the parent's total turnover increased from 50.6 per cent. to 51.4 per cent.

Hoechst's world pre-tax profits fell back from DM980m. in the comparable period of 1976 to DM825m. At the same time the pre-tax return on turnover declined from 5.7 per cent. to 4.7 per cent. The slide was even steeper at Hoechst AG with pre-tax earnings back from DM636m. to DM515m. and pre-tax return on turnover down from 8.8 per cent. to 7.2 per cent.

Utilisation of production capacity at the parent's plants declined to an average of 69 per cent. in the third quarter, whereas in the opening months of the year it was running at a far more healthy 80 per cent. The group stated that the poor utilisation of capacity in the autumn had led to widespread short-time working affecting 3,500 workers.

The interim report gives little grounds for hope of an improvement in the final quarter of the year. Turnover in October and November, it said, was also under the level of the previous year.

Performance varied greatly from sector to sector, but the real cause of the decline was to be found in the fibres and filaments branch. Here there had been a particularly sharp decline, not least because of the very poor state of the textile industry. The dyestuffs sector had also been negatively affected by the textile recession.

What the report did not spell out was the effect of the dollar's decline on the D-mark conversion of the group's overseas operations. However, there is no reason to believe that Hoechst's experience has been any different from that of Bayer, who reported last week that although the sales of its 20 leading foreign subsidiaries had risen by only 1 per cent. in D-mark terms, when the figures were expressed in their own home currencies the sales rise averaged out at about 18 per cent.

Although this is small comfort to shareholders looking forward to D-mark dividends, it seems fair to argue that figures are by no means as bad as the report suggests. It does, however, graphically illustrate the problems of the multi-nationals which account in D-marks.

BHF business volume rises

BERLINER Handels-und Frankfurter Bank (BHF) reports a successful first nine months despite unsatisfactory interest rates. Since the end of 1976, the bank's balance sheet total has increased by 5.7 per cent. to DM6.78bn. (£1.68bn.), while group business volume reached DM17bn. (£4.22bn.).

The year to date has not been without problems. In the third quarter of the year there was a decline in the growth rate of the gross national product which in large part was a result of the increase in the value of the deutsche mark against the dollar and the consequent increase in comparative costs for German industry. On the positive there was a small decline … inflation rate, said the repo…

Bundesbank policy had … sarily led to a lowering … terest levels in the credit … capital markets and, as a … interest on short-term credi… by about a further ¼ per … since the beginning of the … continuing the process not… 1976. In September the tran… to the 6 per cent. 10-year … brought interest rates to a … unknown since 1964, it sta…

Interest margins in the … year were somewhat unde… average for 1976. Howeve… increased business … pushed interest earnings … DM1.8m. to DM96.3m. A … more powerful increase … noted in earnings from … mission and other service… tions. These went up fro… DM43.4m. reported in the … parable period of last y… DM48.3m.

The bank's parti… "healthy" issues b… played a major role in th… BHF. Commission earnin… increased 9.7 per cent. co… with the first nine mon… 1976 to DM44.3m.

Thyssen dividend reprieved

BY JONATHAN CARR

BONN, No…

DESPITE the exceptionally poor state of the steel market, Thyssen—the largest of the West German producers — has come through the 1976-77 business year relatively well and is sparing its shareholders realisation of their worst years.

In its preliminary report on the year to September 30, the company said earnings (which it does not yet specify) allowed it to propose an 11 per cent. dividend—that is DM5.50 cash for each DM50 nominal share.

This marks a drop from last year's 14 per cent. payout. But the 11 per cent. would be paid in conjunction with a newly-introduced tax rebate coupon which means that shareholders should be little, if any, worse off.

The result could well have been much poorer with the German steel industry currently working far below capacity, more than 50,000 workers on short time and constant steel crisis meetings at national and international level. In detail, the report reveals that Thyssen's main problem lies with bulk steel which made a substantially bigger loss than in the previous year.

On the other hand the company's special steel activities — which account for 15.8 per cent. of production — made a clear profit. So did Thyssen's trading and service activities and its engineering sector.

None of the profit and loss figures are yet detailed. But Thyssen does reveal that total group turnover dropped by 2.9 per cent. against 1975-76, to DM.19.8bn. Exports increased by 9.2 per cent. to DM.6.5bn., so that they now account for about one third of turnover against 29 per cent. a year earlier.

Total crude steel production was down by 8.5 per cent. to 11.7m. tonnes — with rolled steel production dropping from 10.6m. tonnes to 10m. Thyssen's labour force was reduced by 3.7 per cent. to 134,271 in the co… the year and the number o… on short time is increasi…

Investment in the … group last year totalled D… against DM.1.1bn. in 1975 … supervisory board has … aproved a new fixed asset … ment programme for this … DM.980m. — whose … emphasis lies on rationa… and modernisation in d… plants.

Not surprisingly, the … makes no forecast of … developments in 1977-78.

Meanwhile … Schl… Siemag, the well-esta… manufacturer of rollin… which is part of the GHH … says it hopes in the lon… at least to maintain its … world market share.

Net profit was up to D… from DM.14m. in the … business year, on turno… creasing by DM.53m. to D… Orders in hand on Septe… totalled DM.1.5bn.

NORTH AMERICAN NEWS

Hudson's Bay profits fall

BY JAMES SCOTT

TORONTO, Nov. 28.

HUDSON'S BAY Company had profits for the nine months ended October 31 of $C8.5m. or 60 cents a share compared with $C8.6m. or 62 cents a share for the comparable period last year. Revenue increased to $C1bn. from $C951m.

For the latest nine months period, merchandising profit was $C18.4m. compared $C13.8m. a year earlier.

Real estate profit was $C12.4m. compared with $C21m. and profits from natural resource interests was $C9.6m. compared with $C7.6m.

Merchandising and natural resource earnings in the third quarter improved over the comparable period last year, reflecting a continuation of the trend in the first six months.

Earnings from real estate, however, continued to reflect a shortfall from the previous year, the third quarter in 1976 being a particularly strong period for land sales.

The trend of consumer spending in the third quarter was generally unchanged from the first half of this year and the company said it is not possible to predict with any degree of certainty the merchandising outlook for the balance of the year.

However, the company is guardedly optimistic that Christmas sales will be buoyant. Natural resource earnings should continue to reflect present favourable trends and real estate earnings will not have to contend with abnormally high comparable figures for the last quarter of 1976.

Since the company acquired an interest in Eaton-Bay Financial Services in October, that company has developed plans for the opening of financial services centres in eight Hudson's Bay stores next year.

The company plans to open a further six stores in 1978 and seven stores will be expanded.

Setback for NYSE members

NEW YORK, Nov. 28.

NEW YORK Stock Exchange member firms' total net profit fell to $30.8m. in the third quarter, from $90.4m. in the same 1976 period, the NYSE said, Reuter reports.

After-tax profits represented a 3.2 per cent. annual return on the firm's average net worth of $3.9bn. in the quarter.

The 66 per cent. decline from 1976 third quarter earnings came as the exchange experienced an increase of 11.4 per cent. in average volume. Of 371 firms reporting, 248 had profits and 123 losses.

The same firms had a total net profit of $149.8m. after taxes in the first nine months of this year, representing a 5.1 per cent. annual return on average net worth of $3.9bn. Nine-month profit in 1976 was $385.8m.

The latest nine months' profits represented a decline of 61 per cent. while the Exchange's average daily volume fell 3.6 per cent. over the period.

Of the 384 firms reporting for the nine months 278 had profits and 106 losses.

The figures include revenues from all sources, including trading and investment activities, options, underwritings, and interest income, as well as commission revenues.

The net worth of member firms is the sum of their subordinated debt and stockholder equity, or partnership capital.

● AP-DJ reports: U.S. Government actions, coupled with a "prolonged siege of difficult market conditions," have made the equity market in the U.S. "more volatile and less liquid." Paine Webber Inc. President, Mr. Donald B. Marron said.

AT and T appeal

BY DAVID BELL

WASHINGTON, Nov. 28.

THE U.S. Supreme Court to-day removed the legal obstacle that has been holding up the Government's prosecution of American Telephone and Telegraph (AT and T) in one of the largest anti-trust suits ever filed in the United States.

The Court refused to hear an appeal by AT and T challenging the right of a lower Federal District Court to hear the case. The suit charged AT and T and its manufacturing subsidiary Western Electric with monopolising Telecommunications services and equipment, and urges the company to divest itself of its long lines department to the extent that this is necessary to encourage competition.

New rescue package for SGI

BY OUR OWN CORRESPONDENT

ROME, No…

A NEW PACKAGE for the rescue of the former Sindona construction and property group, Societa Generale Immobiliare (SGI), appears to have been put together. This latest salvage plan is reported here to involve an eventual take-over of the troubled company by one of Italy's largest private financial empires, the Pesenti group.

Representatives of the Milan financier, Sig. Carlo Pesenti, are in effect now said already to have arranged the deal, which, however has yet to be approved by the Bank of Italy.

Negotiations for the sale are reported to have been conducted by the chairman of SGI, Sig Arcangelo Belli, and Sig. Carlo Aloisi, who is understood to be acting on behalf of the Pesenti group which includes the Ital cementi and Italmobiliare companies.

According to some reports, the deal would involve the banks which have extended credits to SGI, converting some L35.7bn (about £24m.) of bonds into new SGI shares. These new shares would then be sold to a holding company, two-thirds owned by the Pesenti group, which would so gain control of the troubled property company.

At the same time, however, the banks would also agree to grant a moratorium on all outstanding SGI debts until the early 1980s and furthermore would extend any additional credit the company might require. For its part the Pesenti group would agree to inject some L20bn of fresh capital into SGI by 1979.

It was also announced that Condotte d'Acqua Spa shares will be quoted again on the forward market from to-day after their recent restriction to the cash market.

Reuter reports that The Bourse Commission (Consob) said the Government recently decided to ban a project for the sale of Condotte d'Acqua, which is controlled by State holdin… pany IRI, as part of pl… salvage of Generale Imm…

Meanwhile no comme… available from Genera… mobiliare on Press repo… a new plan is being stu… salvage of this firm in … [illegible] interests linked with Ital… SPA chairman Carlo Pes…

Rousselot expects higher profits

PARIS, Nov. 28.

ON THE expectation that net profits will increase to Frs.42m. from Frs.30m. in 1977, Rousselot SA, whose shares were requoted on the Paris bourse last Friday, will raise its interim dividend by Frs.4½ to Frs.25½. A total of Frs.45 was paid for 1976.

The dividend decision was taken by the Board following an extraordinary general meeting of shareholders which approved the suppression of a company statute limiting each shareholder to a maximum 8,000 votes whatever his holding.

When suspended by the Paris bourse back in July, Rousselot was trading at Frs.540.

Interetud link with Credit Factoring

CREDIT LYONNAIS said its subsidiary Societe d'Etudes et de Representations pour le Commerce International (Interetud), has taken a stake in Credit Factoring International SA by subscribing exclusive when the company raised its capital to Frs.1.55m. from Frs.1m., reports Reuter from Paris.

The company is a subsidiary of Credit Factoring International, itself 100 per cent. owned by National Westminster Bank, it said.

The Association will take full effect from January 1, 1978.

...xtends to

...rsche ...jects ...bstantial ...owth

...y Dodsworth

...E, the West German ...ar manufacturer, will ...ertainly break through ...bn. (£250m.) turnover ...for the financial year ...uly 1977. The figures, ... announced in January, ... show a substantial in... ...in profits from the ... (£1.8m.) recorded in ...ous year.

... conclusions emerge ... rapid increase in car ...chieved by Porsche in ...7 year. The total num... ...hicles produced reached ... increase of 85 per cent. ...previous year's total of

...tion has risen for both ... expensive 911 range— ...12,000 units to 14,000 ...—and the 924 model, ...s risen from 8,000 units. ... The 924 model, made ...udi-NSU factory owned ...swagen at Neckarsulm, ...ully on stream after its ...tion two years ago.

...indications are that the ...nprovement for Porsche ...in line with the target ...7 per cent. return on ...—suggesting profits of ...(£3m.) — set by the ...gent last year. In the ...ding mid-1976 the com... ...hieved a 1.2 per cent. ...n sales, which it said ...adequate for its future

...e, a family-owned com... ...ld by members of the ...and Piech families, ex... ...oduction to go up again ...rrent financial year, but ...between 5-10 per cent.

...mpany has now come to ... of its major new model ...nt programme which ...launch of both the 924 ... sports cars, and the ...tion of the wholly new ...ne.

...ment is now being ... to improving factory ... and reducing bottle... ...articularly in the main ...en facility at Stuttgart ...both the 911 and 928 ...are being made.

...xpected that investment ...current year will reach ...M70m. (£17m.).

...HF business ...olume rises

...vidend repa...

...ld Storage ...13.2m.

... STORAGE Holdings, ...ood and beverage manu... ...r and distributor in ...re, and Malaysia, has re... ... pre-tax earnings of ... for the six months ...July 1977.

...gh the pre-tax earnings ...is some 104 per cent. ...than that recorded in the ...lf of 1976, Cold Storage ...d that this reflects the ... receipt of dividends ...bsidiary companies.

... the earnings figure is ...hat of the holding com... ...d not the group's con... ...d account.

... after tax profit was ... an increase of 103 per

... package...

$500m. consortium loan package for Indonesia

BY H. F. LEE — SINGAPORE, Nov. 28.

MORGAN GUARANTY TRUST is packaging together $500m Asian dollar consortium loan to Indonesia.

The seven-year loan which will be the biggest foreign consortium loan to the country in recent years will carry an interest rate of 1½ per cent. above the London inter bank offered rate (LIBOR).

The loan syndication which is expected to include some 50 banks from the United States, Canada, Europe and Asia, will be co-ordinated by Morgan Guaranty Singapore's Office. Two Singapore banks, the Overseas Chinese Banking Corporation and the International Bank of Singapore will also be invited to join the lending syndicate.

The loan agreement, which will be signed in January next year, will be in the form of a replacement financing facility.

It will replace the outstanding balance of two consortium loans of $425m. each. These two five-year loans carry an interest rate of 1½ per cent. above LIBOR, and will also be lead managed by Morgan Guaranty Trust.

They were expended in 1975 to help the Indonesian Government replenish its depleting foreign reserves deployed to help the State-owned oil company Pertamina, out of its financial difficulties.

Indonesia will repay a scheduled amount up to $180m. by January for these two existing loans which total $850m.

In addition, it will make a prepayment of another $170m. by March next year, thus leaving an outstanding balance of $500m.

This outstanding balance will be converted into a new $500m. loan now being packaged. Because of its better economic conditions Indonesia has managed to secure better terms under this replacement financing facility, particularly in terms of longer maturity and lower interest *rates*.

Indonesia's current foreign exchange reserves now stand at more than $2.5bn., compared with $500m. in 1975.

For the year ended March 1977, it recorded an overall balance of payments surplus of $1bn., against a deficit of $364m. in 1976.

The two original loans also suffered technical default arising from payments Indonesia allegedly owed on disputed tanker charges. The new loan, however, will start on a clean slate.

Some 14 banks have been invited to join the management syndicate of this now loan. They include Bank of America, Chase Manhattan, Chemical Bank, First Chicgo, Citibank, Manufacturers Hanover, Bankers Trust, Wells Fargo, American Express International Banking Corporation, Algemene Bank Nederlands, Banque National de Paris, Deutsche Bank, Westdeutsche Landbank and Toronto Dominion Bank.

Morgan Guarantee's selection of Singapore as the co-ordinating centre for the loan has given Singapore's effort to become a major loan syndication centre a boost.

SINGAPORE NEWS

Wearne drives up earnings

BY H. F. LEE — SINGAPORE, Nov. 28.

LEADING LOCAL motor trader, Wearne Brothers, has turned in its best-ever performance with *group pre-tax profits rising 78 per* cent. to S$28.2m. for the year ended September 30, 1977. The *company is to make a one-for-two* bonus issue which will take its capital up from S$45.1m. to *S$67.6m.*

Turnover rose 20 per cent. to a record S$294.5m. On an after-tax basis, group profit rose at a slightly lower rate of 59.2 per cent. to S$14.6m., reflecting a higher taxation charge—48 per cent. against 42 per cent.

Wearne has disclosed that it has changed its accounting treatment of interest on hire purchase transactions with effect from October 1, 1976 to an acrual basis. Interest on such transactions are now credited to the profit and loss account using the sum of the digits method, unlike previously when they were recog*nised only after all the instal*ments have been received. Arising out of this change, the pre-tax profit has decreased by S$171,000.

However, the cumulative effect *of the change as at October 1, 1976—amounting to S$10.6m.* less attributable tax of S$5.1m.—has been transferred to general reserve and is, hence, not reflected in the latest profit.

In addition, Wearne reports an extraordinary surplus of S$665,000 arising from the sale of a property.

The group has disclosed that in 1976 an independent profe*sional valuation of its properties* showed a surplus over book values of S$77m. However, the directors have decided to take up in its books as at September 30, 1977 a revaluation surplus *amounting to S$72m., subject to* the approval of the relevant authorities.

Australian take-over moves

BY JAMES FORTH — SYDNEY, Nov. 28.

TAKEOVER ACTIVITY continues to dominate the Australian corporate scene. The acquisitive Adelaide Steamship led the action to-day when it announced an increase in its offer price for importer and merchant, Abel Lemon, from $A1.00 to $A1.15 a share. The Abel Lemon directors said they intended to recommend acceptance.

At the same time Adelaide's opponent in the struggle for control of the engineers, Luke Ltd. dropped out, leaving the way clear for Adelaide. NKS (Holdings) made a formal offer under the Companies Act of $A1.75 a share for Luke, but Adelaide, which already held 17 per cent., countered by buying on the market. Adelaide now holds 44 per cent., and is clearly in control, but has withdrawn from the market and has stated that it has no intention at present of extending an offer to all share*holders*.

On another front, the Perth-based Coventry Motor Replacements topped the LNC Industries offer for the Adelaide-based Consolidated Auto Parts. The *offer is two Coventry shares for* each five Capco, plus 20 cents for each Capco share, which values Capco shares at $A1.84 compared with LNC's offer of $A1.10 cash.

The major shareholder of Capco, the Southcott family, intends to accept the Coventry offer. The Southcotts control almost 60 per cent. of Capco's capital.

In another move, the managing director of Davleco Industries to-day announced an offer for the remainder of the capital, but excluded the 29 per cent. held by Vulcan Industries.

Davleco's managing director, Mr. Grant Reed, is offering 50 cents a share. He already controls 41 per cent. of the capital, which *means he is seeking another 30* per cent. Vulcan last year attempted to acquire Davleco but was defeated when the Japanese group Kifune bought on the market. Kifune, which has a long-standing trading link with Davleco, recently sold to Mr. Reed.

The discriminatory terms of the offer appear to breach the listing regulations of the stock exchange. A similar situation arose in 1974 when Comeng Holdings and Australian National Industries were battling for control of Bradford Kendall. Comeng made an offer for Bradford which excluded shares held by ANI but withdrew the bid after the Sydney Stock Exchange threatened to suspend trading in Comeng. In this case the bidder is not listed and the exchange's only weapon would be to suspend Davleco shares, which would discriminate against shareholders.

OPEC's investment seen at $200bn.

By Francis Ghilès

FOREIGN INVESTMENTS of countries belonging to the Organisation of Oil Exporting Countries (OPEC) will amount to over $200bn. by the end of this year, according to projections published by Morgan Guaranty Trust in the latest issue of its monthly World Financial Markets.

OPEC countries' external debt will amount to $50bn., and their external assets to $155bn. by the end of the year. Net assets amounted to $3bn. four years ago before the increase of the price of oil.

The review estimates that this year's combined current account surplus, that is trade balance plus net investment income, is likely to be about $35bn. a figure which it projects *will fall to $28bn. in 1978.* This estimate is higher than that suggested in the same publication last June: the main reason for revising these projections has been that U.S. oil imports are likely to be greater than originally expected, "*reflecting a higher level of oil* consumption, the strategic oil stock-piling programme; and the delays in Alaskan oil production.

Furthermore the bank estimates that Iran's current account surplus in 1978 will be greater than expected because of the likelihood of a more moderate import growth rate under that country's new development plan.

These projections are based on expectations of a slower growth in the OPEC surplus on *the assumption that the group's* imports will rise faster than its revenues.

Were the price of oil to rise by 10 per cent. at the end of the year instead of the *expected 5 per cent., the OPEC* surplus would probably be of the order of $33-34bn. even allowing for a higher level of imports by OPEC as a whole.

South African engineers report mixed fortunes

BY RICHARD ROLFE — JOHANNESBURG, Nov. 28.

TWO LEADERS in the South African engineering sector have reported mixed fortunes in the figures for the 12 months to September 30, the moral being that the mining-linked engineering firms are still able to earn the most buoyant profits.

African Oxygen, controlled by BOC, has reported turnover down from R143m. to R132m., while pre-tax profits have firmed up from R15.8m. to R17.4m. *Earnings per share have moved* ahead from 29.1 cents to 31.8 cents and the dividend has been raised 2 cents to 14 cents for the year, which puts the shares, a strong market recently at 185 cents, on a yield of 7.6 per cent.

The Board ascribes the sharp improvement in profit margins to elimination of loss-making *product lines and disposal of* certain subsidiaries. The accounts are likely to show that African Oxygen is riding on a tide of recessionary liquidity, with retained earnings at R5.3m., plus an as yet undisclosed depreciation provision and a favourable movement in stocks.

The experience at Stewarts and Lloyds over the same 12 months is quite different, and points up the profitability of the essentially trading operation as against the manufacturer, such as African Oxygen, the former's margins being under far greater pressure in present conditions. Stewarts and Lloyds, which is controlled by the Ipsa consor*tium of Anglo American, British* Steel Corporation and Iscor, has reported turnover down a shade from R208m. to R206m.

But profit margins have *weakened sharply, with the pre*-tax figure down from R18.1m. to R13.9m. and earnings per share are down in line from 45 cents to 35 cents per share. The dividend has been held at 17 cents and the shares, up 10 cents ahead of the news to 145 cents, yield 11.7 per cent.

Stewarts and Lloyds is a pioneer on inflation accounting in South Africa, and pointed out in its annual report a year ago that the dividend, then covered 2.8 times by earnings, was not covered at all in adjusted terms. Presumably this is even more true this year with cover down to 2 times. However, the group appears set to press on with its *R20m. project to modernise its* steel tube plant, even though cash flow will remain under pressure at least until the economy improves.

Yen rise affects Matsushita

BY DONALD MACLEAN

MATSUSHITA Electric Industrial Company, the electric appliances concern, will show reduced parent company earnings in the first half, to May 20, of its current financial year — from Y23.18bn. in the first half of 1976-77—mainly as a result of the sharp rise in the value of the yen in the foreign exchanges, according to a company statement.

The statement stressed that the rise in the yen would adversely affect export business —which accounts for 25 per cent. of total sales. Export contracts during the six-month period were expected to fall by some 10 to 20 per cent.

The strength of the yen *might bring about an em*ployment problem in Japan — prompting Japanese makers to produce abroad, giving jobs to overseas workers.

Matsushita Electric Company, Japan's largest producer of consumer electric and electronic products, markets its products in the U.S. and Canada under the "Panasonic" and "Quasar" brand names, and in the rest of the world under the "National" trade-mark.

The net parent company *profits of Y23.18bn in the first half of last year were made on* sales of Y700.33bn.

Consolidated net profits in the first half of the 1976-77 year were substantially higher than those of the parent company alone—amounting to Y36.9bn., on sales of Y923.6bn.

Matsushita home video disc plan: Page 8.

Japanese companies' results for half-year to September 30

	Net profits		Operating income		Interim dividend	
	1977 Ybn.	1976 Ybn.	1977 Ybn.	1976 Ybn.	1977 Y	1976 Y
Chubu Electric Power Co.	19.94	9.703	437.53	346.68	25	20
Kansai Electric Power Co.	24.44	13.21	561.03	456.40	25	20
Shikoku Electric Power Co.	5.23	2.82	110.97	85.07	25	20
Tokyo Electric Power Co.	35.18	17.59	886.62	707.19	25	20

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

...TS	Bid	Offer
...stralia 8½pc 1989	99½	100¾
...k 1987	97	97¾
...8½pc 1989	96½	97½
...M. & S. 8½pc '92	100	100¼
...Bank 8¼pc 1992	99	99½
...8pc 1992	100½	101
...N. Rlwy. 8½pc '86	99½	100½
...tional 8½pc 1986	96½	99½
...8½pc 1984	101½	102
...1995	100¾	101½
...1997	99½	100
...ing 8½pc 1989	99½	100
...1992	100	100¾
...1989	100¾	101
...8pc 1989	99½	100½
...1986 Nov.	101½	102½
...Paper 8½pc '84	99½	100½
...9pc 1992	101½	102
...9pc 1992	99½	99½
...1987	99	99½
...la 8½pc 1986	102½	103½

	Bid	Offer
Macmillan Bloedel 9pc 1992	101½	102
Massey Ferguson 9½pc 1991	102¾	103½
Michelin 9½pc 1988	101¾	102½
Midland Int. Fin. 8¾pc '92	99½	100
National Coal Board 8pc '87	95¾	96½
Natl. Westminster 9pc '86	102¾	103½
Newfoundland 9pc 1989	101½	102
Norges Komm. Bk. 8¾pc '92	97½	98¼
Norpipe 8½pc 1989	95	99¾
Norsk Hydro 8½pc 1992	98½	99¾
Oslo 9pc 1988	100¾	101½
Ports Autonomes 9pc 1991	99½	100½
Prov. Quebec 9pc 1995	97½	98
Prov. Saskatchwn. 8¾pc '86	101½	102
Reed International 9pc '87	95	95¾
RHM 9pc 1992	97½	98½
Selection Trust 8¾pc 1989	95	93¾
Skand. Enskilda 9pc 1991	100½	101
SKF 8pc 1987	95	95¾
Sweden (Kingdom) 8¾pc '87	97½	98½
United Biscuits 9pc 1989	99¾	100½
Volvo 8pc 1987 March	93½	96½

NOTES	Bid	Offer
Australia 7¾pc 1984	96¾	97½
Bell Canada 7¾pc 1987	95½	99
B. Columbia Hydro 7¾pc '85	96½	97½
Canadian Pacific 8¾pc '84	99¾	100½
Dow Chemical 8pc 1986	100¾	101½
ECS 7¾pc 1982	97½	98½
ECS 8¾pc 1989	97¼	95½
EEC 7¾pc 1982	97½	98½

	Bid	Offer
EEC 7¾pc 1984	97½	98½
Enso Gutzeit 8¾pc 1984	98½	99
Gotaverken 7¾pc 1982	98½	99½
Kockums 8pc 1983	96¾	99½
Michelin 8¾pc 1983	100½	101
Montreal Urban 8¾pc 1981	99½	100¾
New Brunswick 8pc 1984	95¾	99½
Nw. Brnswck. Prv. 8¾pc '83	102½	103
New Zealand 8¾pc 1986	96¾	99½
Nordic Inv. Bank 7¾pc '84	97½	98½
Norsk Hydro 7¾pc 1992	98½	99½
Norway 7¾pc 1982	97¼	96½
Ontario Hydro 8pc 1987	97½	98½
Singer 8¾pc 1982	100½	101½
Sth. of Scot. Elec. 8¾pc '81	100½	101½
Sweden (Kingdom) 7¾pc '82	95	99¾
Swedish State Co. 7¾pc '82	98½	99
Telmex 9¾pc 1984	99½	100½
Tenneco 7¾pc 1987 May	94½	95½
Volkswagen 7¾pc 1987	96½	97½

DM BONDS	Bid	Offer
Austria 6½pc 1985	105½	106
BFCE 7pc 1987	103½	104
Denmark 6¾pc 1985	102	103¾
EIB 6¾pc 1984	104¾	105½
Grand Met. 7pc 1984	99¾	100½
Hydro-Quebec 6¾pc 1987	*99½*	*100½*
ICI 6¾pc 1987	103½	104½
Montreal 7pc 1987	100½	101½
Norsea Gas 7pc 1989	104½	105
Norsk Hydro 6¾pc 1989	103½	104½
Norway 5¾pc 1982	102½	103
Shell 6¾pc 1989	107½	108
Spain 6¾pc 1984	99½	100½
Sweden 6¾pc 1984	104½	105½
World Bank 6½pc 1987	102½	103

FLOATING RATE NOTES	Bid	Offer
Bank of Tokyo 1984 7 15/16pc	99½	99¾
BFCE 1984 7pc	97½	97¾
BNP 1983 6¾pc	97½	98
CCF 1983 7pc	98½	99¼
CGMF 1984 6 15/16pc	97½	98
Creditanstalt 1984 7¾pc	98½	99
Credit Lyonnais 1982 6¾pc	98½	99½
DG Bank 1982 6¾pc	99½	99¾
GZB 1981 7¾pc	99½	100½
Intl. Wstmnstr. 1984 7 15/16pc	98½	99½
Lloyds 1983 7¾pc	100	100½
LTCB 1982 6¾pc	96½	99¼
Midland 1982 8pc	101½	101¾
Midland 1987 7 11/16pc	*95½*	*96¾*
OKB 1983 6¾pc	99½	99¾
SNCF 1985 6 15/16pc	96½	97½
Stndrd. & Chrtrd. '84 6¾pc	99½	99½
Wms. and Glyns. 1984 7pc	99¾	99½

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4¼pc '87	82½	84½
Ashland 5pc 1988	92	94
Babcock & Wilcox 6¾pc '97	90	91
Beatrice Foods 4¼pc 1992	95	97
Beatrice Foods 4¼pc 1992	107½	109½
Beecham 6¾pc 1992	96	97
Borden 5pc 1992	101	103
Broadway Hale 4¾pc 1987	76½	78½
Carnation 4pc 1987	*80*	*82*
Chevron 5pc 1988	122	124
Dart 4¾pc 1987	80½	82½
Eastman Kodak 4¼pc 1988	87	89
Economic Labs. 4¾pc 1987	80½	82½
Firestone 5pc 1988	85	87
Ford 5pc 1988	84½	86½
General Electric 4¼pc 1987	83	85
Gillette 4¾pc 1987	76	78
Gould 5pc 1987	122	124
Gulf and Western 5pc 1988	79½	80½
Harris 5pc 1992	138½	140½
Honeywell 6pc 1986	89½	90½
ICI 6¾pc 1992	83½	85½
INA 6pc 1997	96	97
Inchcape 6¾pc 1992	98	99
ITT 4¼pc 1987	81	83
Jusco 6pc 1992	*102*	*104*
Komatsu 7¾pc 1990	98½	100½
J. Ray McDermott 4¾pc '87	145	147
Matsushita 6¾pc 1990	119½	120½
Mitsui 7¾pc 1990	101½	102½
J. P. Morgan 4¾pc 1987	85½	87½
Nabisco 5¾pc 1988	101½	102½
Owens Illinois 4¾pc 1987	113	115
J. C. Penney 4¾pc 1987	79½	81½
Revlon 4¾pc 1987	118	120
Reynolds Metals 5pc 1988	84½	86½
Sandvik 6¾pc 1988	98½	100½
Sperry Rand 4¾pc 1987	86	88
Squibb 4¾pc 1987	79	81
Texaco 4¾pc 1988	90	92
Toshiba 6¾pc 1992	90	91
Union Carbide 4¾pc 1982	94½	96½
Warner Lambert 4¾pc 1987	81½	83½
Warner Lambert 4¾pc 1988	77	79
Xerox 5pc 1988	78	80

Source: Kidder, Peabody Securities

STOCK EXCHANGE REPORT

Uninspiring start to new Account as doubts persist

Share index down 1.5 at 464.5 after 462.2—Gilts easier

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Nov. 14	Nov. 24	Nov. 25	Dec. 6
Nov. 18	Dec. 8	Dec. 9	Dec. 20
Dec. 12	Dec. 29	Dec. 30	Jan. 11

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

While settling some of the recent background uncertainty in the monetary field, last Friday's rise of 2 per cent. to 7 per cent. in Minimum Lending Rate left Stock Markets with some doubts that the increase will suffice and, of course, with its other worries concerning the level of company profits and pay settlements still intact.

Consequently, business remained extremely small and official markings of 4,657 were the lowest for the first day of a new Account this year.

Gilt-edged made an attempt to resume Friday's rally but soon turned off and closed with falls to ⅝, the bulk of the setback reflecting the late afternoon announcement of the biggest-ever monthly trade deficit in the U.S. during October. The Government Securities index shed 0.31 to 74.01 which is its lowest since September 12 and represents a loss of 5.84, or 7.3 per cent., from its 65-month high recorded at the end of that month.

As with the Funds, last Friday's *technical rally in leading equities* proved to be short-lived in the absence of sufficient buying interest. Prices eased from the opening and retreated further on *small speculative offerings and* marking down before recovering partially in a thin trade. Price movements at the close were usually limited to a couple of *pence either way in the constituents* of the FT 30-share index which touched its lowest of the day at noon with a fall of 3.8; thereafter, a gradual pick-up left *the close only 1.5 off at 464.5.* The index lost 35.4 over the previous Account, despite Friday's rally of 9.3 which followed nine successive days' falls.

The mixed pattern of price changes overall was seen in the narrow majority, 11-to-10, in rises over falls in FT-quoted equities and in the tiny, 0.1 per cent., loss in the All-share index to 202.80.

Gilts react late

Reflecting Friday's steadier trend, the market in British Funds began slightly firmer but early demand was soon satisfied and gains of about ¼ were erased. Subsequent business was small and while selected shorter maturities eased a shade, the bulk of longer issues held their ground until news was received of the worst ever U.S. trade deficit in October. A moderate volume of bear selling then made quite an impression on some nearer issues which ended as much as ½ down *and lowered the longs by ¼. In* an effort to find a trading level, the long tap Treasury 10 per cent., 1992, was adjusted downwards *and eventually* closed with an exceptional loss of a full point at 90. Inhibiting business was the feeling that after Friday's rise of 2 per cent. to 7 per cent., the trend in Minimum Lending Rate was likely to continue higher as the Government fulfilled its funding requirements *for the 1977-78 financial year.* Several longer-dated Corporations resisted the prevailing dulness but stocks of a shorter maturity were unsettled by the announcement of the £12m. City of Leeds Variable, 1982, issue. Southern Rhodesians bonds consolidated Friday's firmness despite the absence of any follow-through to that day's revived interest.

Arbitrage selling initially lowered rates for investment currency but at around 96¼ per cent. institutional support was forthcoming and the premium rose to 98¼ per cent. before easing to close a net ¾ higher at 97¾ per cent. Yesterday's SE conversion factor was 0.7246 (0.7271).

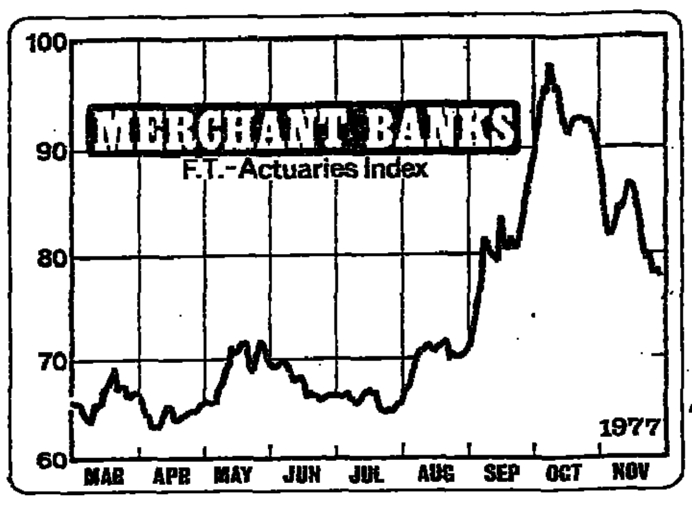
Among New Issues, A. Holden got off to a fairly lively start in first-time dealings and closed at 57p, after 59p, compared with the placing price of 53p.

Respective upward adjustments of 1½ and 1 per cent. in NatWest's and Lloyds' base lending rates *after last Friday's rise in Minimum* Lending Rate brought only minor contrasting movements: the former closed 2 easier at 268p but the latter hardened that much to 270p. *Barclays and Midland, which* are expected to announce increases shortly, closed little changed at 316p and 368p respectively. Publicity given to a *broker's circular failed to help* Bank of Scotland, 2 lower at 265p. Discounts improved in places with Alexanders 5 up at 230p and Union a like amount dearer at 400p. *Provident Financial put on* 4 to 86p in Hire Purchases but London Scottish Finance reacted 3 to 38p.

Little of interest took place in Insurances which closed with modest irregular movements. Eagle Star hardened 3 at 146p but Sun Alliance shed that much to 536p.

Breweries traded quietly but were inclined harder. Bass improved a penny to 149p ahead of Thursday's annual results, while *favourable week-end Press* mention left Belhaven 3 dearer at 32p. Among Distillers, newspaper comment also helped Highland, which firmed 6 to 115p. *Awaiting confirmation of the projected* bid of 440p per share from Seagram's, Glenlivet advanced 15 to 460p.

George Dew became a late feature in Buildings, rising 28 to a 1977 peak of 122p following the announcement of a bid approach. Elsewhere, Burnett and Hallamshire, *at 164p, and* Rowlinson Construction, at 73, improved 2 and 3 respectively in front of their interim announcements to-day, while week-end Press comment drew buyers' attention to Heywood Williams, which rose 4 to 57p. Similar improvements were recorded in Tunnel B, 229p, H. and R. Johnson-Richards Tiles, 303p, Marchwiel, 244p and Manders, 81p. Countryside firmed 2½ to 28½p.



Awaiting developments in the bid approach, Federated rose 4½ to 75p xd among Chemicals where James Halstead, at 13p, recorded a Press-inspired gain of 1½. ICI edged forward 2 to 350p in thin trading.

Week-end news of a recommended bid from BICC, up 2 at 103p, worth 53½p a share lifted Cohen Bros. 4 to 51p, after 52p. Elsewhere in Electricals, GEC *shed 2 to 236p on a chart-sell signal*, but EMI were firm at 206p, up 3, and revived speculative demand took Kode International up 5 to 92p, after 96p. Adverse *Press comment ahead of Thursday's* interim results, however, put Racal down to 200p before a close of 202p, down 11.

Leading Stores settled with modest falls following a quiet trade, sentiment not being helped by indications that retail Christmas trade so far was poor. Elsewhere, dealings in Philip Kunick *were resumed following clarification* of the company's position; opening at 6p, compared with a pre-suspension level of 11p, the shares closed at 5½p. Wearra continued *firmly in Shoes, gaining 3* more to 30p, this time with the help of an investment recommendation.

Engineerings plotted an irregular course. John Brown responded to favourable week-end comment with a rise of 4 to 237p and GKN moved up 6 to 272p. Hawker, however, lost 6 to 166p and Tubes closed 4 off at 364p. After Friday's brief rally, Vickers turned down a penny to 172p, after 170p. Elsewhere, Tecalemit, 4 better at 98p, were wanted in front of to-day's interim results and George Whitehouse hardened 2 to 21p after the chairman's annual report. London and Midland *improved a penny to 70p* following the increased interim dividend and profits, while Metalrax finished a similar amount dearer at 35p after Press comment. Davy International put on 3 to 229p as did Spooner Industries, to 43p. Among Shipbuilders, Yarrow added 8 at 265p xd.

In line with the general trend, Foods were inclined easier. Clifford Dairies gave up 6 to 42p and the A 3 to 30p, while J. Sainsbury were the latter amount lower at 183p. Still reflecting recent news that the company is seeking Government subsidies in order to save a large number of *jobs, FMC eased 2 more* to 78p, while adverse Press mention prompted a fall of 3 to 99p in J. Lyons. Elsewhere, Lennon Bros. were marked up 383p to 460p and *the Preference shares 35 to 60p* bid on the respective cash offers of 467½ and 65p from Palmer and Harvey, a private concern.

J. Dykes fall

The miscellaneous Industrial leaders generally closed a penny or two lower where changed. *Beecham picked up from the* worst to finish 3½ off at 610 xd, after 605, on a chart-sell signal, while Glaxo ended only a penny lower at 582p, after 577p. Metal *Box continued last Friday's rally after the recent sharp fall on poor* interim results and rose 7 to 282p xd. Secondary issues had a weak spot in J. Dykes, which fell 6½ to 21½p on the first-half loss and the omission of an interim dividend. The poor first-half profits and reduced interim dividend continued to depress London and Northern, 2 *lower at 24p for a* three-day fall of 14½. Adverse Press comment clipped 7 from Hestair at 107p, while the poor interim trading statement left Brady Industries 4 lower at 67p. On a brighter note, Centreway Securities rose 12 to 214p on further consideration of the proposed scrip issue in new Preference shares. Chamberlain Phipps showed satisfaction with the good first-half out-turn and rose 3 to 35p. Bridport-Gundry were quoted ex the rights offer at 34p, with the new nil-paid at 4½p premium. Bid hopes were *responsible for gains of 4 and 8* respectively in Allied Investments, 49p, and Lindustries, 147p, while other firm spots included E. Fogarty, 7 up at a 1977 peak of 125p, Vinten, 4½ better at 69p, and Pauls and Whites, 5 to the good at 95p.

The Motor sections presented a mixed appearance. *Of the leaders,* Lucas closed a shade above the worst at 259p, down 4, while Dunlop ended unaltered on the day at 86p. Interest was shown in J. Woodhead, up 5 at 225p while, in Garages and Distributors, H. Perry firmed 3 to 161p and Lookers improved 2 to 43p. Scattered selling left Manchester 1½ cheaper at 28½p. Elsewhere York Trailer were quoted 54p ex the scrip issue in new 10 per cent. Preference shares which opened at 105p and closed at 107p.

Ahead of today's interim results, Daily Mail and General A improved 3 to 306p. Elsewhere in Newspapers, East Midland Allied A *put on 2 to 60p in response to* Press comment. Dealings in Reed and Smith were suspended, at 35p, at the company's request pending the outcome of bid discussions.

A broker's circular, favourable on prospects, prompted small demand for selected Properties. Scottish Metropolitan gained 3 to 97p and British Land improved 2 to 24p. Further consideration of the higher dividend forecast helped Capital and Counties, a penny up at 44p xd. English hardened a like amount to 36½p, while MEPC rose 5 to 109p ahead of to-morrow's preliminary figures. Satisfaction with the interim results left Property Investment and Finance 6 higher at 71p.

Business in the Oil majors was extremely quiet and prices barely moved. British Petroleum hardened 2 to 900p ahead of Thursday's third-quarter figures, while the partly-paid were unaltered at 365p. Shell also ended unchanged at 558p, but Royal Dutch put on a fraction at £43⅛. Renewed speculative interest developed in Siebens (U.K.), which rose to 300p before settling a net 16 higher at 296p. Among Canadians, Ranger put on ½ to £20⅞.

Capital issues took a turn for the better in Trusts, with Altifund improving 3 to 148p and rises of 2 recorded in Dualvest, 204p, and New Throgmorton, 90p. Elsewhere, Investment Trust Corporation responded to the increased half-yearly earnings with a rise of 3 to 192p. Jardine Japan, 116p, and Crescent Japan, 117p, gained 3 and 4 respectively. Among Financials, Dalgety firmed 5 to 201p and Kitchen Taylor 3 to 37p. Lampa Securities were quoted ex the return of capital at 28p.

Stag Line, up 10 at 167p on the annual results, provided a little relief from the quietly dull conditions in the Shipping sector.

Bright spots in Textiles included Sidlaw, 4 to the good at 97p, and Leeds and District Dyers, a similar amount higher at 75p, the latter in front of to-day's annual results. Dawson firmed 2 to 107p and John Foster were a penny dearer at 28p. Among Tobaccos, Bats Industries drifted lower, the Ordinary and Deferred closing 3 down at 257p and 212p respectively.

Rhodesians up again

Growing hopes of an internal solution to the Rhodesian constitutional problem resulted in a further show of strength by the country's mining issues.

Encouraged by thoughts of an *end to the dividend freeze of the* last 13 years and the possible inclusion of the investment currency premium in Rhodesian companies Falcon Mines advanced *12 to 165p*, MTD Mangula 7 to 50p, Wankie Colliery 4 to 36p and Phoenix Mining and Finance 3 to 23p.

South African Golds also registered substantial improvements influenced by the sharp rise in the bullion price, which was finally $3.25 up at $161.625 per ounce. The Gold Mines index put on 5.6 to 145.0.

South African-registered Financials fared equally well. A persistent Cape demand left Anglo-American 8 to the good at 266p, Union Corporation 7 higher at 272p and De Beers 2 up at 294p, after 297p.

Gold Fields were outstanding in an otherwise quiet home-based Financials section; following the news that 12½ per cent. of the "rights" had not been taken up and the subsequent placing of the shares in the market, the "new" advanced to 168p, a net gain of 8, and the "old" improved to 167p for a similar gain.

Australians extended Friday's better trend. Pancontinental recovered 25 more to 650p and Peko-Wallsend hardened 15 to 400p. In Tins, favourable Press *comment enabled the Cornish* producers to move ahead. Geevor rose 15 to 515p, Saint Piran 3 to 75p and South Crofty 2 to 79p.

Among Platinums, Rustenburg were unchanged at 64p in front of last night's news that the group is increasing its selling price for platinum from $162 to $175.

FINANCIAL TIMES STOCK INDICES

Government Secs. 74.01; Fixed Interest 77.45; Industrial Ordinary 464.5; Gold Mines 145.0; Ord. Div. Yield 5.72; Earnings Yld. % (full) 17.24; P/E Ratio (net) 6.94; Dealings marked 4,657; Equity turnover £m. —; Equity bargains total 16,111.

10 a.m. 463.4. 11 a.m. 462.7. Noon 463.1. 1 p.m. 462.8. 2 p.m. 463.1. 3 p.m. 462.5.

* Based on 52 per cent. corporation tax. † Nil=5.18.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1977 High	1977 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	79.85 (30/9)	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	80.50 (1/10)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	549.2 (14/9)	357.6 (13/1)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	174.5 (18/10)	95.1 (1/2)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

Daily: Gilt-Edged 146.6; Industrials 157.2; Speculative 33.1; Totals 108.0. 5-day Average: Gilt-Edged 176.9; Industrials 168.0; Speculative 40.5; Totals 115.6.

OPTIONS TRADED

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov. 22	Dec. 5	Feb. 23	Mar. 7
Dec. 6	Dec. 19	Mar. 9	Mar. 21
Dec. 20	Jan. 10	Mar. 30	Apr. 11

For rate indications see end of Share Information Service

Money was given for the call of Burmah Oil, ICI, Vickers, Stafex, Lonrho, Burmah Warrants, Chemical, Ultramar, Land Securities Warrants, Centrovincial, London and Liverpool, Owen Owen, Land, New Developments, Warrants, Giltspur and Deferred. Puts were ... Stafex. Associated ... and Racal, while doubles were transacted in GEC Oil, Kwik-Fit, Racal, Coalite and Group.

NEW HIGHS AND LOWS FOR 1977

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1977.

NEW HIGHS (27)

LOANS (1) F.F.I. 5pc. A 1991-94; CANADIANS (1) Pacific Petroleum; BUILDINGS (2) Dew (G.); CHEMICALS (1) Halstead (J.); ELECTRICALS (1) Cohen Bros.; ENGINEERING (4) Bailey (C.H.), Bristol Channel; INDUSTRIALS (3) Centreway, Fogarty (E.), Lindustries; INSURANCE (1) Taisho Marine; NEWSPAPERS (1); SHOES (1) Stylo; TEXTILES (1) Leeds Dyers; TRUSTS (2) Glendevon Inv., Yule Catto; RUBBERS (1) Gadek Malaysia; MINES (2) Marievale

NEW LOWS (...)

ENGINEERING (1); FOODS (1); INDUSTRIALS (2); MOTORS (1); SHIPPING (1); TRUSTS (1); MINES (2)

RISES AND FALLS YESTERDAY

British Funds; Corpns. Dom. and Foreign Bonds; Industrials; Financial and Props.; Oils; Plantations; Mines; Recent Issues; Totals

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
45					BP ...	365			3.0	5.7	15.1
53	F.P.		57		Holden (A)	57				6.8	4.7
...	...				...	26½			2.7	6.5	5.7
...	...				... Centre ...	70	+2		1.5	6.9	10.9

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price p	+ or −
410	F.P.	25/11	6/1	...	210	... Discount	223	+2
47	F.P.	16/11	30/12	...	...	...	64	−1
70	Nil	—	—	20pm	17pm Record Ridgway	17pm	
150	F.P.	28/11	25/11	...	...	223½	
143	F.P.	5/11	6/12	151	146 Ctl. Pisant	149	
50	Nil	—	—	18pm	... "W" Rights	14pm	
165	Nil	—	—	75pm	72pm Ctl. Scientific	75pm	

Renunciation date usually last day for dealing free of stamp duty. a Placing price to public. b Figures based on prospectus estimate. d Dividend rate paid or payable on part capital; cover based on dividend on full capital. p Pence unless otherwise indicated. g Forecast dividend; cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1977-78. q Gross. t Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividends. ** Issued by tender. ‖ Offered to holders of Ordinary shares as a "rights." ♥ 250 S.Afr. cents. ‡ Rights by way of capitalisation. †† Minimum tender price. ♦ Reintroduced. ¶ Issued in connection with reorganisation, merger or take-over. ♣ Introduction. ♠ Issued to former Preference holders. ‡ Allotment letters (or fully-paid). † Provisional or partly-paid allotment letters. ≤ With warrants. Φ After suspension.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977 high	1977 low
Beecham	25p	12	610xd	−3½	663	372
GEC	25p	11	236	−2	284	163
BP (Partly-paid)	£1	10	365	—	400	343
ICI	£1	10	350	+2	446	325
Racal Electronics	25p	10	202	−11	270	118
BATs Defd	25p	8	212	−3	260	202
BP	£1	8	900	+2	966	776
Com. Union 'New'	Nil pd.	8	3¼pm	+¼	4¼pm	2pm
NatWest	£1	8	268	−2	300	205
Shell Transport	25p	8	558	—	635	454
EMI	50p	7	206	+3	234	160
Holden (A)	25p	7	57	—	59	57
Marks & Spencer	25p	7	147	—	173	96
Midland Bank	£1	7	368	—	378	245
Unilever	25p	7	512xd	−1	596	410

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS — Mon., Nov. 28, 1977

Figures in parentheses show number of stocks per section

	Groups & Sub-sections	Index No.	Day's Change %
1	CAPITAL GOODS (176)	193.48	−0.2
2	Building Materials (28)	179.72	−0.4
3	Contracting, Construction (26)	305.75	−0.1
4	Electricals (15)	409.78	−0.5
5	Engineering (Heavy) (9)	272.11	+0.7
6	Engineering (General) (66)	152.46	−0.1
7	Machine and Other Tools (8)	52.44	−0.3
8	Miscellaneous (20)	152.83	−0.3
	CONSUMER GOODS (DURABLE) (53)	183.13	−1.0
12	Lt. Electronics, Radio TV (15)	232.23	−1.9
13	Household Goods (12)	174.87	−0.8
14	Motors and Distributors (26)	112.36	−0.2
	CONSUMER GOODS (NON-DURABLE) (171)	189.82	−0.2
22	Breweries (14)	217.38	+0.3
23	Wines and Spirits (6)	225.57	+0.4
24	Entertainment, Catering (16)	243.39	+0.5
25	Food Manufacturing (21)	177.60	−0.2
26	Food Retailing (16)	196.32	−0.3
32	Newspapers, Publishing (14)	332.13	+0.3
33	Packaging and Paper (14)	121.87	−0.1
34	Stores (37)	177.09	−0.2
35	Textiles (24)	161.69	−0.6
36	Tobaccos (3)	208.46	−0.7
37	Toys and Games (6)	102.20	−0.6
	OTHER GROUPS (99)		
42	Chemicals (20)	251.09	−0.2
44	Office Equipment (6)	117.84	−0.1
45	Shipping (10)	441.26	−0.7
46	Miscellaneous (55)	182.05	+0.2
49	INDUSTRIAL GROUP (496)	195.28	−0.3
51	Oils (4)	502.75	+0.2
59	500 SHARE INDEX	220.30	−0.2
61	FINANCIAL GROUP (100)	157.67	−0.1
62	Banks (6)	178.91	−0.1
63	Discount Houses (10)	195.00	+1.0
64	Hire Purchase (5)	153.77	−0.4
65	Insurance (Life) (10)	127.59	−0.1
66	Insurance (Composite) (7)	125.84	−0.4
67	Insurance Brokers (10)	322.80	+0.2
68	Merchant Banks (14)	79.47	−0.3
69	Property (31)	218.89	+0.8
70	Miscellaneous (7)	105.80	−0.2
71	Investment Trusts (50)	192.11	+0.3
81	Mining Finance (4)	96.88	+1.0
91	Overseas Traders (19)	265.75	−0.1
99	ALL-SHARE INDEX (673)	202.80	−0.1

FIXED INTEREST PRICE INDICES

	British Government	Mon. Nov. 28	Day's change %	xd adj. To-day	xd adj. 1977 to date
1	Under 5 years	100.11	−0.11	—	8.33
2	5-15 years	121.44	−0.35	—	7.71
3	Over 15 years	127.11	−0.22	—	11.73
4	Irredeemables	137.64	−0.39	—	13.32
5	All stocks	116.83	−0.28	—	9.50

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.: 1 Low Coupons 5 years, 15 years, 25 years; 4 Medium Coupons 5 years, 15 years, 25 years; 7 High Coupons 5 years, 15 years, 25 years; 10 Irredeemables.

		Monday, Nov. 28 Index No.	Yield %
15	20-yr. Red. Deb. & Loans (15)	61.93	11.98
16	Investment Trust Prefs. (15)	56.94	12.53
17	Coml. and Indl. Prefs. (20)	77.22	11.81

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

FINANCIAL TIMES SURVEY
Tuesday November 29 1977

Foreign Exchange Markets

The dollar has weakened sharply against other strong currencies, notably the yen and the Deutschemark, reflecting continuing major imbalances in current accounts among the major industrialised countries.

A loss of balance

by Peter Riddell, Economics Correspondent

IGN EXCHANGE markets een in a notably confused ncertain state in recent s as upward pressures on en have continued un- and the so-called prob- the dollar has re-emerged ajor preoccupation. The ess of the dollar in the months and the corres- g strength of the Yen, DM wiss franc have reflected ntinning and worsening t account imbalances the leading indus- ed countries as well as the r volatility of inter- al capital flows than in the

recent sharp movements ed a period of compara- um until the summer — e that is to the unsettled ons of 1976 when ster- he Italian lira and the franc all came under pressure within a short . However, the corrective res taken by each of these ies led to a more stable nance, and a marked re- in the case of sterling, attention focused rather on the stronger curren-

Yen started to move during this generally period as evidence ed that Japan's trade sur- was increasing signifi- However, the dollar still ied surprisingly strong n view of a trade deficit first four months of the which was more than in ole of 1976 and a much higher rate of price inflation than in, for example, Germany. The dollar was helped by the rise in U.S. interest rates and by the impact of rising OPEC deposits on U.S. exchange reserves.

The position changed towards the end of June as concern grew about the rising U.S. deficit and the official policy of benign neglect. Speculative pressures were reinforced both by a rise in the Yen through the 270 to the dollar barrier for the first time in three years and by comments made at a Ministerial meeting of the Organisation of Economic Co-operation Development in the middle of June. This appeared to endorse greater flexibility in exchange rates to help the process of adjusting international trade imbalances.

Surpluses

The calls by Mr. Michael Blumenthal, the U.S. Treasury Secretary, on Japan and West Germany, and to a lesser extent, on the Netherlands and Switzerland to reduce their surpluses helped to contribute to the appreciation in the values of the Yen and D-Mark. Following the sharp rise in these currencies, Mr. Blumenthal then tried to stem the pressure by saying that the U.S. deficit was too large and that it ought to be slimmed. This had little effect.

Foreign exchange movements, of course, reflect a variety of different pressures—current and prospective inflation rates, current account disequilibria, structural developments and relative interest rates. On one view the most important influence is the movement in a country's money supply relative to that of the world, while also taking account of the balance of payments position and portfolio holdings — for example, by OPEC.

The background can be seen in an estimated rise in the U.S. current account deficit from $600m. last year to $18bn. in 1977. Meanwhile the Japanese surplus is expected to rise from $3.4bn. to $10bn. this year, while the West German surplus is projected to increase from $2.8bn. to $3.5bn.

The latest forecasts suggest that the position is not going to change significantly next year: the latest OECD forecasts indicate a rise in the U.S. deficit to $21bn. next year with an unchanged Japanese surplus of $10bn. and only a slight contraction in the German surplus to $3bn. Meanwhile, the position of the previously weaker economies is expected to improve further with the U.K. moving into substantial surplus, the French deficit falling from $3bn to $2bn. and the Italians having a $1.5bn. surplus. Overall the total OECD deficit is expected to contract from $31bn. to $25bn. while the OPEC surplus is forecast to decline from $40bn. to $35bn.

There are varying views on the significance of the U.S. deficit — some commentators refer to the non-problem of the dollar, pointing out that the U.S. deficit has corresponded to a recovery in the current accounts of countries in a weaker financial position. On this view the U.S. is the only major country which is doing anything to sustain growth.

On the other hand it is argued that the main cause of the rising U.S. deficit has been higher oil imports and the U.S. is still in surplus with Western Europe.

In any event, despite continuing international meetings, statements and action, such as curbs by Japan on currency inflows, the dollar has weakened against the stronger currencies throughout the last few months. For example, since the beginning of this year the dollar has fallen by more than 18 per cent. against the Yen, and by 5½ per cent. against the D-mark.

Within Europe, the Scandinavian countries have twice had to devalue after earlier borrowing heavily to support their exchange rates. This has reflected a higher rate of inflation and sizeable current account deficits. Indeed the adjustment at the end of August led to the withdrawal of Sweden from the joint European currency float, the snake.

The other main change has, of course, involved sterling where there has been a turnround in both financial confidence, as reflected in the sharp rise in the reserves, and more recently the swing into current account surplus. This as the Government tried to hold the pound down in order to maintain stability for most of the year but was forced at the end of October to allow a free float in response to market pressures.

The British Government's approach has been widely criticised, however. There are many economists, especially in the City, who have argued that the pound ought to have been allowed to float freely much earlier in order to avoid the monetary pressures, a lower level of interest rates than is required on domestic grounds, and to act as a dampening influence on inflation.

The London Business School, for example, estimated that sterling was 10 per cent. undervalued by the third quarter of 1977 measured in terms of relative money supply, though the gap has now been narrowed. The School argues that the results of the policy errors of the last nine months have not been eliminated just by freeing the exchange rate since far more foreign exchange reserves and far more banking reserve assets have been built up than the U.K. needs. There is still, on this view, a danger of overshooting the money supply target and preventing this now might result in serious short-term disruption of the economy.

On the other side, a rise in the pound has been opposed by the CBI because of concern over the impact on price competitiveness of exports and because of the possibility of an even more rapid growth on imports than anyway expected. Comparisons based on relative rates of inflation are open to dispute since they depend not only on the base date but also on the exact measure adopted. While there has been erosion of price competitiveness most of the advantage on a basis of unit labour costs has been retained. Opponents of appreciation are also sceptical about the impact on inflation and on domestic wage pressures, though the fact that companies can no longer count on depreciation may be a constraining influence.

Depreciation

There are also those who favour a depreciation in the rate in order to preserve, or even increase, the price competitiveness of exports at a time when the U.K. inflation rate is higher than overseas. On this view a rising rate will merely fritter away the opportunity presented by North Sea oil and will further undermine the industrial base.

But as the U.K. moves into substantial current account surplus—more than £250m. in 1977 against a deficit of £1.4bn. last year—the upward pressures on the exchange rate are not going to disappear. Consequently it may be necessary to allow some easing of outward exchange controls in order to match these inflows. The Government is still cautious, however, about allowing a major relaxation until the recovery in non-oil trade is established and the structure of the reserves is improved. Similarly there is caution about any significant early repayment of official borrowing overseas—with $20bn. due by 1985—though a start is likely to be made in the near future.

Recovery of sterling

THE MOST significant and—as it soon turned out—revealing remark about the performance of sterling and Government foreign exchange policy in the last year came from Mr. Denis Healey, the Chancellor of the Exchequer, in the Commons after his mini-budget statement on October 26. He remarked that "one of the lessons learned by people who hold my job is that there are fairly strict limits within which it is possible to withstand market pressures." Less than five days later the Government abandoned its policy of holding down the exchange rate in order to maintain a stable value and allowed a free float in direct response to such pressures.

The events of the last 12 months have demonstrated both the overwhelming force of market pressures and the extent of turnrounds in market confidence. The result is that sterling is now higher than almost anyone thought possible, or desirable, a year ago, and the official reserves have risen by five times in the process.

The contrast can be seen most clearly by describing the position in the early autumn of 1976. The pound was falling almost daily with no intervention, however large, apparently able to stop the pressure, while the approach to the International Monetary Fund and the sharp rise in Minimum Lending Rate to 15 per cent. only provided a temporary check. The low point of $1.55½ was touched at the end of October—this represented a decline of more than a fifth since the begining of March.

The causes can be traced both to the belated adjustment to a loss of price competitiveness in 1974 and 1975 and to a major loss of confidence in the British Government's ability and willingness to control a number of key financial aggregates. The extent of the decline can be explained by specific mishandling of the markets by the authorities, by the loss of control over the money supply during the summer and by the extra pressures created by the presence, and then absence, of the volatile official sterling balances.

In any event, the foreign exchange conditions began to turn round in November—as expectations increased about a large-scale package of further spending cuts and on reports about a safety-net arrangement for the official sterling balances. A crucial part in turning round the flows was also played by the rise in interest rates, the domestic monetary squeeze (in particular the imposition of the so-called corset) and by the change in exchange controls on the use of sterling to finance third country trade.

The battle to restore external financial confidence, if not control, was effectively won following the announcement in mid-December of an agreement in principle with the IMF and the publication of the Letter of Intent with agreed ceilings for the borrowing requirement and domestic credit expansion. Meanwhile sterling was rising and the recovery was established in early January when a $3bn. safety-net facility for the official sterling balances was agreed at the meeting of central bank governors in Basle. The pound then rose to a peak of $1.72¾ and the Bank of England held the rate at around $1.71 to $1.72 until the end of July.

Confidence

The turnround in confidence first became apparent immediately after the end of the Christmas holidays in the strength of sterling and with a rise in the reserves which has continued, with stops and starts, until the end of October. The reserves have risen from $4.1bn. at the beginning of the year to $20.2bn. at the end of October with possibly another $3bn. or so to come in from deferred receipts on forward operations: these can, of course, be rolled over. There has been substantial official borrowing—notably $1.9bn. on the IMF standby facility and $1.5bn. from a Government Euromarket loan—but the underlying inflows have totalled about $11.5bn.

What has essentially happened is that the turnround on capital account preceded the improvement in current account, which has only been in surplus since the end of the summer. For example, in the first half of the year there was combined capital and current surplus of £2.81bn., entirely arising on the former, compared with a deficit of £3.63bn. for the whole of 1976. This has reflected the unwinding of what are usually described as leads and lags on commercial payments, though this is rather a spurious distinction and more readily identifiable items include those related to the change in rules on third country trade as well as the build up of hot money deposits attracted on speculative grounds.

The authorities were reluctant to allow the exchange rate to float freely because of a desire to preserve the long-term competitive position of exports. In addition, there was a strong feeling that a stable exchange rate was desirable in itself after the sharp movements of 1976.

The Bank of England and the Treasury were also concerned that uncertainties on the pay front—especially during the long drawn out and ultimately unsuccessful talks with the TUC in the summer—might lead to a sudden large withdrawal of some of the funds deposited in London earlier in the year. Apart from a short period of selling pressure at the end of May this did not happen and the failure to agree on a formal phase three policy caused hardly a ripple.

But the authorities were not able to maintain stability indefinitely and during July the weakness of the dollar led to a slight fall in the trade-weighted index from 61.6 to 60.6 since official policy was to peg the rate against the dollar. In order to counter this pressure, the authorities in late July switched their emphasis towards the trade-weighted index as a guide to maintaining stability and allowed a small rise in the pound against the dollar.

This move, which was taken on the advice of the Bank of England rather than the Treasury, did not work and merely provided further bait to those speculating on an ultimate rise in the value of sterling. After two half point cuts in Minimum Lending Rate in early August pressure eased until early September. But the inflows then built up during the next six weeks, reaching a massive scale during late October. The underlying inflows on one day are believed to have been more than $1bn. and the published rise in the reserves in October was over $3bn.

These inflows posed an increasing dilemma for the authorities since while domestic credit expansion remained low, the inflows from abroad were having a growing impact on the broadly defined money supply, sterling M3. This was first shown in the banking month to the middle of September, when there was a rise of 2½ per cent. which raised the annual rate of increase since April to near the upper end of the 9 to 13 per cent. target range.

This also became linked with growing uncertainty in domestic markets and the continued weakness of the dollar a[...] to offer no end to the [...] for sterling at the cur[...] change rate, so the aut[...] were forced to take a [...] decision. Falling interes[...] with Minimum Lendin[...] down from 15 to 5 per [...] less than a year, had not [...] and a major relaxation [...] ward exchange contr[...] been ruled out, while [...] controls, as in the ear[...] and as adopted in Ja[...] Germany, were regarde[...] practicable.

This left a choice [...] freeing the exchange r[...] risking a major breac[...] monetary guidelines an[...] control over the mone[...] The commitment to t[...] targets was stressed [...] Governor of the B[...] England at the Banker[...] and this factor prove[...] crucial when the Gov[...] decided, reluctantly, t[...] market pressures on Oc[...] This was followed by [...] rise in the first day a[...] —totalling more than $[...] one stage—but this v[...] clipped back follow[...] miners' vote against a [...] tivity scheme and [...] concern about the lab[...] tion in the U.K.

This is a reasonably [...] tory outcome for the a[...] since they have been [...] stem the inflows wit[...] great a sacrifice e[...] stability or of the co[...] position of exports.

Peter [...]

Living with the dollar

IF THE principal factor determining the value of a country's currency were the performance of the national economy, then nobody would have been consumed with the problem of a weak dollar this year. Indeed, when the Carter Administration took power at the start of this year, the superior performance of the U.S. economy was such that it was assumed that the dollar could not be a serious problem and was not worth talking about. What has happened since—and what is likely to continue to happen in the future—has been an instructive example in a process of education which every new government must undergo.

The underlying philosophy in international economic policy as espoused by the Carter Treasury when it took office was that it was incumbent on the so-called "locomotive" economies (the U.S., West Germany and Japan, principally, with help from the Netherlands and Switzerland) to bear the brunt of reviving the flagging global economy. The U.S., it was argued, was about to sustain a considerable trade and current account deficit in 1977 and would therefore be playing its role to the hilt: the other surplus nations were pressed to facilitate the international adjustment process by expanding their economies, reducing their surpluses and, where appropriate, to allow the value of their currencies to appreciate.

That was the message that Vice-President Mondale and a group of bright and brash young American economists forcefully put to the Governments of West Europe and Japan within a fortnight of President Carter being installed in the White House.

In many ways, this remains the underlying philosophy, though it has now been modified to encourage the expansion of economies which hitherto had been considered too weak to make much contribution. But the whole process of exhorting other countries to do more had a by-product that the new administration had not fully calculated: the reaction of the rest of the world that the U.S. was essentially talking down the value of the dollar on the foreign exchange markets, thereby injecting a critical element of instability into a delicate mechanism.

It is fair to say that it took the U.S. Administration until mid-year to appreciate fully that a public attitude of insouciance towards the value of the world's principal reserve currency might be impolitic. To-day, Mr. Michael Blumenthal, the Treasury Secretary and other top government economic policy makers rarely let a public opportunity go by without expressing their belief in "a strong dollar."

Leaving aside the sometimes illogical feverishness of foreign exchange markets, notoriously prone to jump at every rumour and misinterpret every nuance, the three main factors explaining the dollar's weakness remain to-day much as they were at the start of the year. First and most obvious, is that the U.S. economy is continuing to outperform those of its principal trading partners by a substantial margin.

The consequent trade deficit this year, is likely to approach $30bn., more than five times larger than it has ever been before, and, according to most informed guesses, is unlikely to be much less in 1978.

The Administration has persistently maintained that the deficit does not reflect any fundamental weakening of American trade competitiveness: it often argues that, with the singular, gross exception of Japan, the U.S. maintains healthy trade surpluses with the rest of the world and that sectoral analysis of product markets demonstrates that the U.S. share of world trade is holding up well.

It also repeatedly points out the obvious — that the biggest single factor in the trade deficit is the massive American demand for imported oil, which will probably reach an unprecedented $46bn. this year.

Difference

And yet, ironically, there may not be now much difference in the views of Dr. Burns and the Administration over the "right policies" for the dollar. Both Mr. Blumenthal and the chairman gave almost identical prescriptions in public appearances earlier this month—responsible monetary and fiscal policies designed to promote adequate growth while restraining inflation, an effective energy policy, and intervention in the foreign exchange markets only to iron out erratic fluctuations. Dr. Burns placed greater emphasis earlier this year on the need for tax incentives to spur capital investment, a policy which the Administration will undoubtedly put into effect early next year. Indeed, as Dr. Burns himself noted in the summer, such differences as do exist are more in the nature of the rhetoric than the substance.

In addition, it is clear that the Administration is doing its best to deflect the mounting domestic demands for protectionist trade measures and at the same time to forge a reasonable agreement at the trade talks in Geneva. Certain concession have had to be made (through orderly marketing agreements, for example, and a probable institution of a reference price system for imported steel).

Although it may not always appear so from outside the U.S., the Administration's determination to avoid a trade war and the erection of new barriers to freer trade is considerable. At the same time, however, the Administration is committed to promoting the growth of U.S. exports, perhaps through the extension of export credits or by deferring the planned abolition of DISCS, the tax break which assists exporting companies.

But while the overall picture remains somewhat muddy, the essential development over the past ten months is that a new Administration has come to realise that, much as it may want to, it is not politic to ignore the state of the dollar. The basic prognosis remains that there is not much wrong with the U.S. dollar and that though its value may yet weaken a little further, its u[...] strength is indisputab[...] ever, the right words [...] of confidence, may [...] required at the right [...] to calm domestic and [...] tional fears in the [...] ahead. The Carter Ad[...] tion now realises this [...] sary.

Jurek [...]

Japan's balancing act

JAPANESE YEN has [lost] ...lated by over 20 per cent. ...the dollar since the be... of 1977 and seems des... ...o rise still further before ...is a new equilibrium.

...rise has taken Japan ...by surprise, especially ...September when the pace ...reciation accelerated.

...e have been numerous ...s calls from Japanese ...ies which claim to have ...d serious exchange losses ...sult of the rapid shift in ...-dollar parity. These ex... losses, plus the more ...impact of a higher yen ...pan's ability to export, ...ertain to produce a de... ...ry effect on the Japa... ...conomy lasting well into ...nd perhaps beyond.

...impact of the higher yen ...an's balance of payments ...eventually be to ...ate the surplus by en... ...ing imports (which will ...aper in terms of yen than ...e) and by discouraging ...s which should, logically, ...dearer in dollars and ...ther currencies. Before ...her yen starts to reduce ...payments surplus, how... ...t may in the short term ...y help to increase the ...s by producing an imme... sharp increase in the flow ...llars into the country ...ting the improvement in ...terms of trade). The ...yen thus threatens, in ...ort run, to aggravate the various problems surrounding Japan's international economic relations.

The reason why the yen has been revalued so sharply during 1977 is, in a word, that it was badly undervalued before. At the beginning of the year, despite Japan's strong balance of payments situation, the yen was showing an appreciation from its December 1971 Smithsonian Parity of about 5 per cent. against 15 other currencies (weighted according to the value of Japan's trade with the countries concerned). The D-mark at the same time was up nearly 30 per cent. on its Smithsonian Parity.

The yen had failed to move far above its Smithsonian Parity, prior to the beginning of 1977, partly because the surplus on Japan's international balance of payments has been a relatively recent phenomenon (Japan was in deficit during 1974 and 1975 whereas West Germany ran surpluses during these years) and partly because of "guidance" from the Ministry of Finance and Bank of Japan.

During the years 1975 and 1976 it struck many observers that Japanese intervention was more effective in ironing out upward fluctuations in the exchange rate than downward fluctuations. In addition to direct intervention in the foreign exchange market (that is buying or selling of dollars by the Bank of Japan) the authorities can influence the exchange rate (or were able to do so in the past) by administrative guidance to currency traders and by the adjustment of Japan's still relatively elaborate system of foreign exchange controls.

Appreciation

At the start of 1977, the Ministry of Finance seems to have been prepared for a controlled appreciation of the yen parity—say by about ten points in relation to the dollar during each of the first two quarters of the year. An appreciation of roughly this amount did in fact occur between the beginning of January (when the yen was at a parity of $1 to Y292) and mid-June when the rate was floating in the low 270s. The rate climbed sharply, however, towards the end of June as it became apparent that earlier Japanese estimates of a small current account deficit for fiscal 1977 were gross under-estimates.

From mid-September onwards (when the net revaluation since the start of the year was running at around 10 per cent.) the yen began to climb much more swiftly than before and the Japanese authorities rapidly lost control over the market. An intervention by the Bank of Japan of well over $1bn. during October failed to prevent the yen from breaking both the 260 and 250 yen to the dollar "barriers." In early November, Japan introduced controls on overseas purchasing of short-term Government bonds and on foreign-held "free yen" accounts (two supposed channels of foreign speculation). The controls, however, had almost no effect in arresting the pace of appreciation.

Japan appears to believe that the yen has been deliberately "talked up" by Western Governments, including the U.S., and to a lesser extent the U.K., as a means of offsetting the competitive edge of Japanese exports in world markets. Evidence for this view comes from the close concurrence between remarks by the U.S. Treasury Secretary Mr. Michael Blumenthal and a handful of other Western leaders on Japan's trade and payments performance and subsequent steep climbs by the yen on the Tokyo foreign exchange market.

The yen reacted particularly sharply after the annual meeting of the International Monetary Fund in September when Mr. Blumenthal said that Japanese exports would face barriers in advanced countries (and "justly so") if Japan did not do something to reduce its trade surplus. Another phenomenon which has taken Japan by surprise is the growing volume of yen trade on overseas foreign exchange markets such as London, New York, Hong Kong and Singapore, and the extent to which these markets have seized the initiative from the Tokyo "home" market in forcing up the exchange rate. Yet another problem, in Tokyo itself, has been the sharp appreciation of the yen on the futures market where the Bank of Japan traditionally does not intervene.

There have been signs that the U.S. has now become less interested in talking up the yen and that the emphasis of American policy has shifted to extracting import concessions and a commitment to reflate the Japanese domestic economy. If Japan manages to produce a meaningful list of import promotion measures, including tariff cuts and abolition of import quotas, it is felt that the upward pressure on the yen might weaken and that some kind of equilibrium might emerge towards the end of the year. This, however, is more likely to be in the range of 230-plus to the dollar rather than the 240-plus range within which the yen was hovering during the first three weeks of November. If Japan fails to make what the U.S. regards as a "satisfactory" answer to its trade demands, the equilibrium could still prove unattainable and the yen could go on rising.

Charles Smith
Far East Editor

Deutschemark is the bulwark

...AST few days' events in ...reign exchange markets ...ace again shown that the ...hemark is perceived as ...the few fixed points in a ...economic climate of con... ...uncertainty. The size ...latest wave of purchases German currency are not ...icially known, but it is ...y that these have been ...ring November than they ...uring October, when the ...sbank appears to have ...ver $1bn. in its efforts to ...out irregular fluctua... If recent reports are ...t, of dollar purchases of... ...der of $150m. in a single trading, the November ...may well have exceeded ...ngle month's this year.

Germany, as elsewhere, ...is intense interest in ...g how far the U.S. is ...to let the dollar slide, and ...ttention will be paid to ...gn there may be of an ...tanding among central ...s to attempt to hold some ...osed line. Despite the lack of any such evidence so far, the market seems ready to fasten on to any clue dropped so that there was an immediate reaction in Frankfurt to the very vague comments here at the beginning of the month by Mr. Michael Blumenthal, the American Treasury Secretary. He remarked at the end of talks with his West German counterpart, Herr Hans Apel, that he favoured a "strong dollar."

The considered opinion of the German authorities, both at the Bundesbank and in the Finance Ministry, is still that the market's judgment on the dollar is the correct one so long as the Carter Administration has not yet enacted its proposed energy policy.

West Germany, as one of the stronger economies, pays a considerable price. The least significant aspect of this is perhaps the political one—the by now routine calls at international gatherings for surplus nations to "do more" for the world economy.

The real cost of the present disequilibrium in international payments to West Germany can be measured through the remorseless climb of the D-mark. Since the end of 1975, it has appreciated 17 per cent. against the dollar, 21.5 per cent. against the currencies of West Germany's 22 most important trading partners taken together, and 6.3 per cent. against even the remaining member currencies of the diminished West European "snake." Only measured against the Yen, the Swiss franc and—marginally—sterling, has the D-mark lost any ground in the course of 1977.

For a country as heavily dependent on exports as West Germany, these developments can hardly be regarded without concern, despite a remarkable resilience in the past. They coincide, moreover, with a domestic economic situation that, while more favourable in many ways than those in other major industrialised countries, is giving West Germans themselves cause for puzzlement and uncertainty.

Conformity

The Bonn Government, in conformity with its pledges to its partners at the London economic summit meeting last May, has introduced a package of tax cuts and assorted other stimuli to the economy with which it hopes to attain the goal of a 4.5 per cent. increase in real gross national product in 1978. Taken together with previous measures, such as a medium-term programme to bring forward public works and similar investments announced in March, as much as DM23bn. may be injected into the economy through higher public sector deficits next year, according to the calculations of the independent panel of "five wise men" in its latest report to the Government. The Bundesbank, in its latest monthly report, stated that some benefits could indeed already be detected.

Now, however, there are serious doubts about whether this 4.5 per cent. goal can be reached without yet more stimulus.

A preliminary estimate for the third quarter of 1977 by the German Economic Research Institute shows a drop of 0.5 per cent. But official and unofficial commentators agree that the most important factor in the equation at present is the absence of confidence among businessmen, which in turn is holding them back from undertaking new investment.

One important question may now have been resolved, in the form of the compromises adopted by both coalition parties over nuclear energy. If these can be sustained and transformed into fixed policy, the much-discussed threat of an energy gap in the mid-1980s should recede, while the flow of orders to both the nuclear engineering industry and the coal power station supply sector should be substantial.

A broader concern, however, is the medium-to-long-term outlook for profits. According to many soundings of business opinion, it is lack of confidence in this area that is the greatest obstacle to the extension of manufacturing capacity, as opposed to further rationalisation of what already exists. One obvious reason is the continuing weakness of export demand, reflecting economic conditions in major customer countries. West German export performance has survived recession abroad, and the disadvantage of the ever-dearer D-Mark, better than had been feared. Yet new foreign orders to West German industry have been falling since last summer, and this time there appears to be a good deal less conviction in the old argument that German quality and dependability can survive more adverse currency movements.

Business might be more easily reassured on this score were it not also fearful of continued pressure for wage increases. West German workers, at DM18 an hour, are already the world's most expensive to employ, after their colleagues in Sweden, and the Swedish precedent is an unhappy one to Germans. There is no mechanism for the Government to take direct action on the wages front, save in its capacity as employer, but there have been calls from the five wise men, the five institutes and a host of other commentators for both unions and employers to exercise moderation in setting 1978 wage levels. That means wages ought to rise by no more than 5 to 5.5 per cent, including fringe benefits—a figure that should still leave some room for spending power to increase if as is generally predicted, prices next year increase by no more than the 3.5 to 4 per cent. forecast for 1977.

Monetary policy, meanwhile, remains highly favourable to industrial investment, with interest rates at their lowest since the mid-1960s. The Bundesbank has several times this year acted to inject further liquidity into the banking system, and has shown no disposition to follow conservative advice to tighten up borrowing conditions. At the same time, the Central Bank can point to the fact that it has done all that can be expected of it to create the conditions for growth: the rest is up to the Government, the unions and businessmen themselves.

Adrian Dicks

U.K. controls maintained

THE GOVERNMENT remains reluctant to introduce any major relaxations of the U.K.'s battery of exchange controls on the outward movement of money, in spite of the dramatic turn-round in the country's external position this year and the growing body of views in favour of liberalisation.

There are two main reasons for the pressure towards liberalisation—the general change in the U.K.'s economic situation and the specific commitments which the country took on when it entered the Common Market. The system of exchange controls, which goes back to the beginning of World War II and was formalised in the 1947 Exchange Control Act, is designed essentially to protect the official reserves.

In the past year, however, the official reserves have risen to $20.2bn., nearly five times their level at the end of last year. The pound has been generally strong. And the country is now moving into a period of substantial external current account surplus as a result of the impact of North Sea oil.

Moreover, economists will argue—and Mr. Healey recognised this point in a recent speech—that there is a case for using at least some of the surpluses arising from the oil flows for investment overseas.

Finally there is the EEC argument. Talks are now going on over the U.K.'s position on exchange controls in the context of the country's original commitment to permit complete freedom of movement of capital after the end of the agreed transitional period on January 1 next year. When the U.K. joined the EEC, a timetable was agreed to meet this commitment. By the end of 1974, controls on outward movement of direct capital investment to EEC countries should have been removed, to be followed in mid-1975 by controls on personal capital and gifts. In the last stage, restrictions on portfolio investment were due to be taken off at the end of this year.

A start was made on relaxing the controls in the spring 1972 Budget. Companies were then allowed to export up to £1m. per project per year within the EEC without having to go through the premium currency market. The concession, however, lasted only for two years.

In spite of the changed circumstances of the U.K., there appear to be two main lines of reasoning behind the official unwillingness to undertake major changes at present. First, although the reserves are much healthier, the country still has a large volume of medium-term debt which will fall due for repayment in the coming years; and it is thought that a considerable part of the inflows into the country in recent months has been of an essentially short-term and potentially volatile nature.

The second point, which Mr. Healey referred to in his recent speech to the Institute of Actuaries, is the argument that the first aim should be to use the proceeds of North Sea oil for investment at home rather than allow it to go abroad. The Chancellor conceded that later on "some increase in overseas investment may have a role to play." But at present, he insisted, the primary consideration must be the right level of domestic investment to provide help in reducing the level of unemployment. This is an argument which has strong political overtones.

Measures

Nevertheless, the minor measures introduced in the October mini-Budget at least afforded a recognition that the position of the U.K. has changed. The impact they were expected to make on the balance of payments and the reserves was modest, but they provided a significant easing in three main areas. The changes will help to give some further stimulus to direct investment in the U.K. by foreign companies, with the benefits this brings for the development of the economy. They increased the allowances for travel, gifts abroad and emigration to levels which take more account of recent inflation. And they made it easier for the City to cope with the run-down of sterling as an international trading and reserve currency and the resulting expansion of business in foreign currencies.

The changes left untouched, however, the restrictions on the two main areas, portfolio investment and direct investment abroad. The controls operate to restrict the access of U.K. residents to official exchange for transfer abroad. As they relate to portfolio investment, they mean that investors can put money abroad only in one of two ways: by going through the investment currency market or by borrowing currency. Using borrowed currency to build up a portfolio of foreign securities is subject to conditions—particularly the requirement to maintain 115 per cent. cover of the borrowed funds—which effectively can only be fulfilled by big institutional investors.

Going through the investment currency market, on the other hand, means paying a vari premium over the spot rate sterling. And it involves control which is most dis by the City, the 25 per surrender rule which requ investors to give up a qu of the proceeds of any sal foreign securities at the of exchange rate rather than premium rate.

The constraints on d investment abroad are strict. The general rule is only projects which meet so-called super criterion ca financed with currency of the official reserves. requires the project direct promote exports of goods services and to bring be to the balance of payments to the cost of the or investment within 18 m and continuing thereafter these conditions, official change can be used u £250,000 or half the cost project, whichever is greater.

Few investment projec meet this condition, ar practice the bulk is fin either out of borrowed fo currency or from retained overseas. Repa of foreign currency born is subject to further n tions, designed to preven drain on the reserves, and controlled branches and sidiaries abroad are requ remit generally at least thirds of their net earnings back to the U.K.

Michael Bla

London's role

IF THE FOREIGN exchange market should ever need a motto it could always revive that of the old Windmill Theatre. In fact the foreign exchange market is almost never closed, since when London shuts down for the day New York is in the middle of its trading session. After New York closes the mantle is taken up by the Far Eastern markets, and when Singapore, Hong Kong, and Tokyo have finished trading the attention moves back to the European centres.

This can create problems for the various central banks, because any unwelcome movement in a currency may happen in the middle of the night, on the other side of the world.

At the end of October last year the pound fell to around $1.55 against the dollar in trading in the Far East, and although the volume of selling was probably fairly small the psychological impact was hardly helpful. This was the lowest level ever touched by the pound and was a full two cents lower than any trading in Europe or the U.S.

Intervention by the central banks in Europe and the U.S. presents no problem, and has been fairly common in recent weeks, with the fall in the value of the dollar. There may also be times when central banks act in concert, and during sterling's problems last year the U.S. Federal Reserve may have intervened as the agent of the Bank of England on occasions.

The Bank of Japan has bought large amounts of dollars recently to stem the rise of the Japanese yen, with most of its intervention confined to the Tokyo exchange. The Japanese commercial banks operating in London are sometimes seen to continue the operation however, presumably under the guidance of their own authorities.

The City's complex structure grew up when Britain was the pre-eminent trading nation of the world, and London the major centre for international financial matters. It has survived remarkably well, considering the ravages of two world wars, a decline in the importance of Britain as a major power, and an almost constant problem over the value of the domestic currency.

Exchange controls of one form or another have been considered necessary for the defence of sterling ever since World War II and this has not helped to preserve the freedom and flexibility for which London became renowned.

An event which proved a real shot in the arm as far as the City was concerned was the opening up of the Euro-markets, with the City as the centre of this lucrative trade. The growth in Euro-currency lending and Euro-bond business has been of major importance to London during this decade, and has encouraged ever more foreign banks into the capital, since the lack of a London office makes participation in the Euro-markets more difficult.

The size of the foreign banking community in London can be gauged by simply walking down a street such as Moorgate, where every other office seems to have the name of a foreign bank on the wall.

Representation

There are more foreign banks in the City than anywhere else in the world. The number with direct representation had increased from 107 in 1967 to 274 by this June. Well over 350 foreign banks are represented either directly or by holding stakes in consortium banks. This has helped London to maintain its position as a major centre for conducting foreign exchange business.

Euro-sterling interest rates declined sharply over the course of this year, in line with domestic sterling rates, while Euro-dollar rates have moved in the opposite direction, although to a much smaller degree. In the middle of November 1976 the three-month Euro-sterling rate was around 16 per cent., with the one-year rate slightly lower at 15¾ per cent. By mid-November this year three-month Euro-sterling was about 5 per cent., but the one-year was a little higher this time at 6 11/16 per cent.

Over the same period the three-month Euro-dollar rate increased from 5¼ per cent. to 7¼ per cent., while the one-year rate rose from 6¼ per cent. to 7¼ per cent.

It would have been hard to believe during the depressing days in the latter part of 1976 that such a turn-round could happen in the space of one year.

On the other side of the Atlantic the situation has not been as favourable, with the prospect of the U.S. running a very large balance of payments deficit into next year. In this situation it is hardly surprising that the difference between Euro-sterling rates and Euro-dollars should have narrowed so sharply, but given the respective inflation rates of the two countries it was equally unlikely that Euro-sterling rates would remain lower than the dollar equivalents for much longer. Problems over the growth of the money supply in the U.K. and U.S. are behind the rise in both sterling and dollar interest rates, with Euro-sterling rates showing the sharpest rise.

The change in interest rates was accompanied by an equally dramatic reversal of rates for forward delivery of sterling. In mid-November last year three-month forward sterling was at 4.25 cents discount against the dollar, and the 12-month, at 13.55 cents discount. On October 28 when the pound fell to its record low of $1.57 in London, it could have been purchased for 12-month delivery at about $1.40. At the end of October this year sterling stood at a premium of about 1.50 cents against the dollar for 12-month delivery, and on November 1 the spot rate rose sharply to around $1.84 when the authorities gave way to pressure to allow sterling to float.

By the middle of November sterling's three-month premium against the dollar was 1 cent, and the 12-month premium 1.40 cents. At that time the forward pound was at a premium against almost all major currencies, although this varied according to the period in terms of some of the stronger currencies such as the D-mark and the Swiss franc. Towards the end of November the situation was beginning to change again, however, as the pound declined on fears about inflation and labour unrest, while London interest rates increased for the same reason. Under these circumstances forward rates have moved back to a discount against the dollar.

Colin Millham

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

CLIVE INVESTMENTS LIMITED

...oyal Exchange Ave., London EC3V 3LU. Tel. 01-283 1101
...ndex Guide as at 22nd November, 1977 (Base 100 at 14.1.77)

Clive Fixed Interest Capital	130.81
Clive Fixed Interest Income	123.14

CORAL INDEX: 461-466

INSURANCE BASE RATES

† Property Growth	6¾%
Cannon Assurance	2 %

† Address shown under Insurance and Property Bond Table.

BASE LENDING RATES

...N. Bank	6 %	■ Hill Samuel §	6 %
...ed Irish Banks Ltd.	6 %	C. Hoare & Co. †	6 %
...erican Express Bk.	6 %	Julian S. Hodge	8½%
...ro Bank	6 %	Hongkong & Shanghai	6 %
... Bank Ltd.	6 %	Industrial Bk. of Scot.	6 %
...ry Ansbacher	6½%	Keyser Ullmann	6 %
...co de Bilbao	6 %	Knowsley & Co. Ltd.	7½%
...k of Credit & Cmce.	7½%	Lloyds Bank	7 %
...k of Cyprus	6 %	London & European	8½%
...k of N.S.W.	6 %	London Mercantile	6 %
...que Belge Ltd.	6 %	Midland Bank	6 %
...que du Rhone	8 %	■ Samuel Montagu	6 %
...lays Bank	6 %	■ Morgan Grenfell	7 %
...nett Christie Ltd.	7 %	National Westminster	7½%
...mar Holdings Ltd.	8½%	Norwich General Trust	6 %
... Bank of Mid. East	6 %	P. S. Refson & Co.	6 %
...wn Shipley	7 %	Rossminster Accept'cs	7½%
...ada Permanent AFI	6 %	Royal Bk. Canada Trust	6½%
...itol C & C Fin. Ltd.	9 %	Schlesinger Limited	7 %
...zer Ltd.	7½%	E. S. Schwab	7½%
...r Holdings	7 %	Security Trust Co. Ltd.	7½%
...rterhouse Japhet	6 %	Shenley Trust	8 %
...E. Coates	7 %	Standard Chartered	6 %
...solidated Credits	6 %	Trade Dev. Bank	6 %
...perative Bank *	6 %	Trustee Savings Bank	6 %
...nthian Securities	7½%	Twentieth Century Bk.	7½%
...lit Lyonnais	6 %	United Bank of Kuwait	7 %
...can Lawrie ¶	6 %	Whiteaway Laidlaw	6½%
...l Trust	7½%	Williams & Glyn's	6 %
...ish Transcont.	7 %	Yorkshire Bank	6 %
...t London Secs.	7½%		
...t Nat. Fin. Corpn.	7 %		
...t Nat. Secs. Ltd.	7 %		
...ny Gibbs	6 %		
...le Durrant Trust	6 %		
...hound Guaranty	6 %		
...dlays Bank ‡	6 %		
...ness Mahon	6 %		
...bros Bank	6 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 3%, 1-month deposits 3½%.
† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 3½% and over £25,000 4%.
‡ Call deposits over £1,000 3%.
§ Demand deposits 3½%.
¶ Rate also applies to Sterling Ind. Secs.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1977 High	Low	Stock	£	+ or –	Yield Int.	Red.
101 13/16	95 5/8	Treasury 9pc 1978‡‡	100 3/16	–1/16	8.94	6.59
104 1/16	97 3/8	Treasury 10½pc '78‡‡	102 1/4	–1/4	10.27	6.69
100 1/8	90 3/16	Exch. 5pc '76-78‡‡	98 13/16	......	5.06	6.48
107	95 7/32	Treasury 11½pc '79‡‡	103 1/2	–1/4	11.11	8.53
97 1/4	84 15/16	Treasury 3pc '79‡‡	94 3/4	–1/4	3.17	6.11
98 3/4	85 1/8	Electric 4¼pc '74-79	95 1/2	–1/4	4.45	6.90
106 13/16	92	Treasury 10½pc '79‡‡	102 1/2	–3/8	10.24	9.04
97 5/8	84 3/4	Electric 3½pc '76-79	94 3/4	–1/2	3.69	6.39
107	87 3/4	Treasury 9pc 1980‡‡	100 1/4	–3/8	8.98	8.86
105 3/4	88 3/4	Treasury 9½pc '80‡‡	100 1/2	–3/8	9.45	9.27
96	82 7/8	Treasury 3½pc '77-80	93 3/4xd	–1/4	3.73	6.20
98 1/4	83 3/4	Funding 5¼pc '78-80‡‡	95xd	–3/8	5.53	7.95
112 5/16	96 15/32	Exchequer 13pc 1980‡‡	103 3/16	–5/16	12.60	9.73
108 3/16	92 1/2	Treasury 11½pc 1981‡‡	104 1/4	–3/16	11.03	9.85
94 1/4	77 7/8	Treasury 3¼pc 1979-81	89 3/4	–1/4	3.90	7.11
109	86 1/2	Treasury 8¾pc 1981‡‡	99 1/2	–3/8	9.88	9.91
103 1/2	97 1/2	Exch. 9¾pc 1981	98 1/2	–3/8	9.64	9.97
92 1/8	89 1/2	Exch. 3pc 1981	89 1/2	–1/2	3.35	6.20
98 3/4	97 3/8	Treas. Variable '81‡‡	97 7/8	–1/8	7.09	7.63
113 13/16	96 1/4	Exch. 12¾pc 1981‡‡	109	–1/2	11.70	9.95
100 5/8	82 7/8	Treas. 8½pc '80-82‡‡	95 1/2	–1/2	8.90	9.83
93 1/8	71 5/8	Treasury 3pc '82‡‡	85 3/8	–1/4	3.47	6.76
119 3/16	101 5/8	Treasury 14pc '82‡‡	113 1/4	–5/8	12.36	10.10
98 1/2	97 1/4	Treas. Variable '82‡‡	97 1/4xd	–1/4	7.10	7.60
96 5/8	94 1/4	Treas. 8¼pc '82	94 1/4	–1/4	8.75	9.89
102 1/8	93 5/8	Exch. 9¼pc 1982	97 3/4	–1/16	9.46	9.85

Five to Fifteen Years

1977 High	Low	Stock	£	+ or –	Yield Int.	Red.
87 5/8	81 7/8	Exch. 3pc '83	81 7/8	–1/8	3.70	7.42
113 3/8	95 1/2	Treasury 12pc 1983‡‡	110	–1/4	11.15	10.11
101 3/8	96 3/4	Treasury 9¼pc '83	96 3/4	–3/8	9.55	10.01
95 1/2	72 5/8	Funding 5½pc '82-84‡‡	87 3/8	–1/4	6.30	8.16
100 3/4	77 3/8	Treasury 8½pc '84-86‡‡	96 3/4	–1/4	9.10	9.63
87 3/8	66 3/4	Funding 6½pc '85-87‡‡	83 1/4	–1/4	7.65	9.29
94	68 1/2	Treasury 7¾pc '85-88‡‡	86 3/4	–1/4	9.00	9.95
74 7/16	49 7/8	Transport 3pc '78-88	63xd	–1/4	4.74	8.23
76 1/4	53 7/8	Treasury 5pc '86-89	69 3/4	–1/4	7.23	9.35
121 1/4	90	Treasury 13pc 1990‡‡	113 3/4	–1/4	11.94	11.60
94 3/4	67 1/8	Treasury 8¼pc '87-90‡‡	87 3/4xd	–1/4	9.74	10.47
112	88 3/4	Treasury 11¾pc 1991	104 1/8	–1/4	11.75	11.74
76 1/2	53 1/4	Funding 5¾pc '87-91‡‡	69 5/8	–1/4	8.25	10.03
118	86 3/4	Treasury 12¾pc '92‡‡	110 1/2	–1/4	12.03	11.85
95 1/2	90	Treasury 10pc 1992	89	–1	11.25	11.49
112 1/2	89 1/2	Exch. 12¼pc '92	105 1/2	–1/4	11.98	11.90

Over Fifteen Years

1977 High	Low	Stock	£	+ or –	Yield Int.	Red.
116 1/4	84 1/2	Treasury 12½pc '93‡‡	103 7/8	–1/4	12.00	11.90
73 3/4	52 5/8	Funding 6pc 1993‡‡	65 1/4	–1/4	9.16	10.52
126 1/2	96	Treasury 13¾pc 1993‡‡	112 1/2	–1/4	12.25	12.09
129 1/4	99	Treasury 14½pc '94‡‡	120 7/8	–1/4	12.34	12.24
113 1/4	94 5/8	Exch. 12½pc 1994	105 3/8	–1/4	12.66	11.99
96	66 1/4	Treasury 9pc '94‡‡	84xd	–1/4	10.74	11.14
110 3/4	97 3/8	Treasury 12pc '95	102 1/8	–1/4	11.97	11.96
50 1/2	32 5/8	Gas 3pc '90-95	47 1/4	–1/8	6.38	9.13
120 3/16	87	Treasury 12¾pc '95‡‡	106 5/8	–1/4	12.01	11.92
92 1/2	66 3/4	Treasury 9pc '92-96‡‡	84 1/2	–1/4	10.98	11.51
135 3/4	101 1/8	Treasury 15¼pc '96‡‡	124 1/2	–1/4	12.39	12.10
124	89 3/4	Exchequer 13¼pc '96‡‡	110 3/4	–1/4	12.07	11.54
49 3/4	31 3/4	Redemption 3pc 1986-96	46 1/2	–1/8	6.57	9.07
122 1/2	87 1/8	Treasury 13¼pc '97‡‡	114 1/2	–1/4	12.11	11.97
97 1/4	90 5/8	Exchequer 10½pc 1997	91 1/4	–1/4	11.55	11.70
89 5/8	64 7/8	Treasury 8¾pc 1997‡‡	82 1/8	–1/4	10.94	11.29
72 3/4	50 3/4	Treasury 6¾pc '95-98‡‡	65 1/4	–1/8	10.35	11.08
136 1/2	103 5/8	Treas. 15½pc '98‡‡	122 1/4	–1/4	12.53	12.09
97	65 7/8	Treasury 9½pc 1999‡‡	85 3/8	–1/4	11.20	11.40
44 3/4	27 5/8	Funding 3½pc '99-04	40 5/8	–1/8	8.96	10.37
82 1/4	57 1/2	Treasury 8pc '02-06‡‡	74 1/8	–1/4	10.97	11.15
59	40 1/2	Treasury 5½pc '08-12‡‡	52 1/2	–1/4	10.72	10.97
80 3/4	53 1/4	Treasury 7¾pc '12-15‡‡	72 7/8	–1/4	11.04	11.11

Undated

1977 High	Low	Stock	£	+ or –	Yield Int.	Red.
38 7/8	26 5/8	Consols 4pc	35 3/4	–1/8	11.62	—
38 1/2	25 5/8	War Loan 3½pc‡‡	34 1/4xd	–1/8	10.25	—
39 1/4	26 3/4	Conv. 3½pc '61 Aft.	36 1/8	–1/8	9.84	—
28 3/4	20 1/2	Treasury 3pc '66 Aft.	25 3/4	–1/8	11.86	—
24	17 1/4	Consols 2½pc	22 1/8	–1/8	11.49	—
25 1/2	17 1/8	Treasury 2½pc	22 5/8	–1/8	11.78	—

**INTERNATIONAL BANK

1977 High	Low	Stock	£	+ or –	Yield Int.	Red.
88 1/4	75 1/2	5pc Stock '77-82	86 3/4	–1/4	5.76	8.43

**CORPORATION LOANS

1977 High	Low	Stock	£	+ or –	Yield Int.	Red.
100	82	Birm'ham 9¾pc '79-81	98	–1/4	9.44	9.88
93 1/2	87 1/2	Bristol 7¾pc '79-81	92	–1/4	8.45	10.25
107	93	G.L.C. 12½pc '82	105xd	......	11.91	11.06
109 1/4	95 3/4	Do. 12½pc 1983	107	+1/2	12.08	11.63
102 1/2	85 1/2	Glasgow 9¼ '80-82	95 3/4xd	–1/4	9.66	10.55
94	75 1/4	Herts. 5½pc '78-80	91 3/4xd	–1/4	5.72	9.02
99	93 1/2	Liverpool 5½pc '76-78	97 1/4	......	5.69	8.43
102 1/2	79 1/2	Do. 9¾pc '80-84	99 1/2xd	+1/2	9.82	10.07
29 1/4	22 1/4	Do. 3½pc Irred.	27 3/4	+1/4	12.55	—
100	69	Lon. Corp. 6¼pc '75-78	95 5/8	–1/8	6.59	9.48
99 1/2	75	Do. 9¼pc '84-85	95	+1/2	9.76	10.29
96 1/2	85 1/2	L.C.C. 6pc '76-79	94 1/2	–1/2	6.35	9.40
91 1/4	70 1/2	Do 5½pc '77-81	89 1/2	–1/2	6.14	8.60
85 1/2	60 1/2	Do 5½pc '82-84	81	+1/2	6.95	9.85
79	52 1/2	Do 5½pc '85-87	71 1/2xd	–1/2	7.64	10.16
79	51 1/4	Do 6¾pc '88-90	74	......	9.42	10.94
27 1/4	20	Do. 3pc '20 Aft.	24xd	+1/4	12.60	—
93 1/2	76 1/4	Middx. 5¼pc 1980	92 1/2	–1/2	5.74	9.40
100	84 3/4	Newcastle 9¼pc '78-80	97 3/4	–1/4	9.47	12.14
107 1/4	90 1/4	Warwick 12¼% 1980	105 3/4xd	–1/4	11.83	10.17

COMMONWEALTH & AFRICAN LOANS

1977 High	Low	Stock	£	+ or –	Yield Int.	Red.
99 1/4	88 3/4	**Aust. 5½pc '76-78	98 3/8	......	5.64	8.42
96	79 3/4	**Do. 5½pc '77-80	94 3/4	......	5.94	9.41
87 1/2	69 1/4	**Do. 5¾pc '81-82	86 1/4	......	6.64	9.65
98 1/4	84 1/2	**N.Z. 4pc 1976-78	96 1/4xd	......	4.15	7.57
94 3/4	81 1/2	**Do. 6pc '76-80	94 1/4	+1/4	6.45	9.57
89	66	**Do. 7¼pc '83-86	85xd	+3/4	8.77	10.07
92 1/2	85	Sth. Africa 9½pc '79-81	83	......	10.84	13.69
65	31	Sth. Rhod. 2½pc '65-70	52	......	—	—
78	47	Do. 6pc '78-81	69	+2	—	—

LOANS

Public Board and Ind.

1977 High	Low	Stock	£	+ or –	Yield Int.	Red.
66	44	Agric. Mt. 5pc '59-89	65	......	7.93	10.60
95	65 1/2	Alcan 10½pc '89-94	85xd	......	12.35	12.70
31	22	**Met. Wtr. 3pc 'B'	29 1/2	+1/4	10.64	11.62
116	101	U.S.M.C. 9pc 1982	113	......	7.96	5.80
96	77	Do. without Warrants	93 1/2	+1/2	9.55	11.82
99	84	Ultramar 7pc '75-78	96 1/2	......	7.25	10.50

Financial

1977 High	Low	Stock	£	+ or –	Yield Int.	Red.
107	94	**FFI 13pc '81	104 1/2	......	12.43	11.24
111 1/2	98	Do. 14pc '79	107	......	13.05	9.29
116	100 1/4	Do. 14pc '83	107	......	12.95	12.65
103	89	ICFC 9pcLn. '77	103	......	8.75	—
85 3/4	68	Do. 5½pcDeb. '80-82	82 1/2	–1/4	6.77	10.54
83 1/2	67 1/4	Do. 6½pcDb. '81-84	76 3/4	+1/2	8.19	11.20
73	51 1/2	Do. 7¼pcADeb. '89-92	67	+1/4	10.67	12.10
71 1/2	52 1/2	Do. 7½pcA Db. '91-94	67	+1/2	11.10	12.10
80	57	Do. 9pc 'A' '91-94	80	+1/2	11.54	12.10
83 1/2	59 1/2	Do. 8¾pcLn. '92-97	77 1/2	–1/4	11.92	12.40

FOREIGN BONDS & RAILS

1977 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
22 1/4	15	Antofagasta Rly.	19	......	—	—
37	32	Do. 5pc Pref.	33xd	+1	B—	—
98	95	Chilean Mixed	98	......	3	£3.10
310	198	German Yng. 4½pc	310	......	4½	—
60	50	Greek 7pc Ass.	50	......	3½	£7.03
58	50	Do 6pc '28 Stab. Ass.	50	......	6	£6.12
44	38	Do 4pc Mixed Ass.	44	......	4	£4.63
42	32	Hung. '24 Ass.	42	......	4½	6.79
76	48	Iceland 6½pc '83-88	76	......	—	10.70
90 1/2	69 1/2	Ireland 7½pc '81-83	86 1/2	......	—	11.47
87 1/2	65	Do 9¼pc '91-96	84 1/2	......	—	12.15
282	228	Japan 4pc '10 Ass.	262	......	—	—
76	63	Do 6pc '83-88	74	......	6	10.30
163	150	Peru Ass. 3pc	160	......	3	1.88
75	75	S.G.I. 6½pc 1980	75	......	6½	8.67
$99	$94	Turin 9pc 1991	$98	......	9	9.18
DM84 1/2	DM71	Turin 6½pc 1984	DM82xn	......	6½	10.15
91	62	Uruguay 3½pc	91	......	3½	4.20

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

1977 High	low	Stock	£	+ or –	Div. Gross	Cvr	Y'ld Gr's
18 5/8	13	ASA	15	–1/4	80c	—	3.0
62 1/4	58	AMF 5% Conv. '87	60 1/2	......	5%	—	f4.7
49 7/8	25	Amax $1	27 1/2xd	–1/2	$1.75	—	3.6
30 3/8	25 7/8	American Express	30	......	$1.40	—	2.6
14	901p	Amer. Medic. Int.	13 3/4xd	–1/8	24c	—	1.0
11 3/4	10 1/2	Asarco Inc.	11 3/4	+1/4	50c	—	2.4
45	32 1/2	Baker Intnl. Corp. $1	36 1/2xd	+1/8	64c	—	1.0
16 1/8	12 3/4	Barnes Grp. $6⅔	13 1/2xd	......	90c	—	3.3
18 5/8	11 7/8	Bell & Howell $1	12 7/8	+1/8	84c	—	3.6
38 3/8	26	Bendix Corp. $5	30xd	......	$2.28	—	4.3
34 1/8	15 1/2	Beth. Steel $8	16 3/4xd	+1/4	$1.00	—	3.4
925p	620p	Brown'g Fer. c16⅔	758xd	–2	40c	—	3.0
14 1/8	327p	Brunswick Corpn. $	11	–1/2	60c	—	3.1
77 3/8	47	Burroughs Corp. $5	54 1/4xd	–1/4	$1.00	—	1.0
52 1/2	35 5/8	CBS $2.50	39 1/2xd	–1/2	$2.00	—	2.9
44 5/8	33 7/8	C.P.C. $½	35	–1/2	$2.50	—	4.0
48 7/8	23 5/8	Carborundum $1.50	47 1/2xd	–7/8	♦$2.24	—	1.5
49 5/8	36 1/4	Caterpillar $	43xd	+1/8	$1.80	—	2.4
26 3/8	20 5/8	Chase M'htn $12.5	23 1/4	......	$2.20	—	5.3
22 1/2	15	Chesebrough $1	17 1/4	–1/4	84c	—	2.9
17 3/4	10 1/2	Chrysler $6¼	10 1/2xd	......	$1.00	—	5.4
29 1/4	15 1/2	Citicorp $4	18 1/4xd	–1/8	$1.06	—	3.3
13 1/4	898p	City Inv. $1.25	10 1/2	–1/4	$1.00	—	5.4
22 5/8	17 5/8	Do. Cm. Prf. B $1	19 5/8	......	$2	—	5.8
23 1/4	15 5/8	Colgate-P. $1	13 5/8	+1/8	$1.00	—	3.1
49 5/8	30 1/4	Colt Inds. $1	36 1/2	+1/8	$2.75	—	2.8
25 1/4	18 1/8	Cont. Illinois $10	19 1/8	–1/8	$1.32	—	3.9
31 7/8	20 1/2	Cont. Oil $5	22 3/4xd	......	$1.40	—	3.5
38 1/4	23 5/8	Crown Zell. $5	27 1/4	+1/4	$1.90	—	3.9
27	19 1/2	Cutler-Hammer $5	26 1/4xd	–1/4	$1.40	—	3.0
37 1/2	25 1/2	Eaton Crp. $0.50	30xd	+1/2	$2.00	—	3.6
28 1/2	21 5/8	Esmark	22 7/8xd	–1/8	$1.84	—	4.5
45 1/4	33 1/4	Exxon $	35 3/4xd	–1/2	$3.00	—	4.7
20	11 1/4	Firestone Tire $	12 1/4	–1/8	$1.10	—	5.1
19 1/2	12 7/8	First Chicago $5	14 1/2	–1/4	96c	—	3.7
35	24 1/8	Fluor Corp. $⅝	25 5/8	......	$1.00	—	1.9
41 1/2	30	Ford Motor $2	33 1/2xd	–1/2	$3.20	—	5.4
28 7/8	18 7/8	GATX	21xd	+1/8	$2.80	—	4.8
47 1/4	35 1/4	Gen. Elect. $2½	39	–1/2	$1.60	—	2.3
25 1/4	18 1/8	Gillette $1	19	......	$1.50	—	4.4
45 3/8	31 7/8	Honeywell $1.50	37 1/2	......	$1.90	—	2.9
40 1/2	10 1/8	Hutton (E.F.) $1	11	–1/8	68c	—	3.5
251	185	I.B.M. Corp. $5	205	......	$10.04	—	2.5
64 1/2	42 1/2	Ingersoll-R $2	46xd	......	$2.80	—	3.5
23 1/2	620p	Int. Systems & Con. $1	825p	–30	25c	—	1.7
11 5/8	824p	I.U. International $	880p	+5	90c	—	5.8
33 7/8	20 3/4	Kaiser Al. $⅓	22 1/2	+1/2	$1.40	—	3.5

AMERICANS—Continued

S.E. List Premium 39% (based on $US1.8190 per £)

Conversion factor 0.7246 (0.7271)

CANADIANS

S.E. List Premium 39% (based on $2.0150)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Cont.

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INSURANCE

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

198	102	Messina R0.50	162	.....	Q30c	ϕ	20.6

MISCELLANEOUS

High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
9	9	Burma Mines 17½p.	9	.....	—	—	—
112	58	Colby Mines $C1	105	+1	—	—	—
630	250	Cons. Murch. 10c	250	.....	†Q140c	1.4	‡
475	275	Northgate $C1	275	+5	—	—	—
247	173	R.T.Z.	155	.....	18.5	3.1	7.2
70	22½	Sabina Inds. C$1	34½	+2½	—	—	—
£14½	875	Tara Expln. $1	£13	.....	—	—	—
55	39	Tehidy Minerals 10p	45	.....	1.21	2.5	4.1
150	121	Yukon Cons. C$1	130	+2	Q7c	ϕ	3.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1978. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 36

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	22	.....
Ash Spinning	41	.....
Bertam	17	.....
Bdg'wtr. Est. 50p	245	+2
Clover Croft	23	.....
Craig & Rose £1	230	.....
Dyson (R.A.)	35xd	+1
Ellis & McHdy	66	.....
Evans Fr'k. 10p	26	.....
Evered	15½	+½
Fife Forge	33	.....
Finlay Pkg. 5p	27½	.....
Graig Ship. £1	260	.....
Higsons Brew	125	.....
I.O.M. Stm. £1	257	+2
Holt (Jos.) 25p	225	.....
N'thn. Goldsmith	38xd	+1
Pearce (C. H.)	111	.....
Peel Mills	15	.....
Sheffield Brick	45	.....
Sheff. Refrshmt.	40	.....
Shiloh Spinn	19	.....
Sindall (Wm.)	63	.....

IRISH

Conv. 9% '80/82	£95¾	+⅛
Alliance Gas	60	.....
Arnott	295	.....
Carroll (P.J.)	90	−2
Clondalkin	65	.....
Concrete Prods.	105	.....
Heiton (Hldgs.)	45	.....
Ins. Corp.	130	.....
Irish Ropes	125	.....
Jacob	43	.....
Sunbeam	21	.....
T.M.G.	124	−1
Unidare	67	.....

OPTIONS

3-month Call Rates

Industrials	
A. Brew	6½
A.P. Cement	16
B.S.R.	11
Babcock	10
Barclays Bank	25
Berry Wiggins	5
Beecham	38
Boots Drug	15
Bowaters	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	9
Cadburys	5
Courtaulds	10
Debenhams	10
Distillers	13
Dunlop	6½
Eagle Star	11
E.M.I.	18
Gen. Accident	17
Gen. Electric	16
Glaxo	40
Grand Met.	9
G.U.S. 'A'	19
Guardian	18
G.K.N.	22
Hawker Sidd.	50
House of Fraser	12
I.C.I.	25
"Imps"	7
I.C.L.	20
Inveresk	7
Ladbroke	17
Legal & Gen.	14
Lex Service	6
Lloyds Bank	22
"Lots"	5
London Brick	5
Lonrho	7
Lucas Inds.	25
Lyons (J.)	13
"Mams"	7
Mks. & Spncr	13
Midland Bank	25
Nat. West Bank	22
Do. Warrants	10
P & O Dfd.	12
Plessey	9
R.H.M.	5
Rank Org. 'A'	18
Reed Intl.	18
Reyrolle	20
Spillers	4
Tesco	4
Thorn 'A'	22
Trust Houses	13
Tube Invest.	30
Unilever	40
Utd. Drapery	7½
Vickers	15
Woolworths	6
Property	
Brit. Land	3¼
Cap. Counties	5
E.P.	5
Intereuropean	5
Land Secs.	18
MEPC	12
Peachey	10
Samuel Props.	10
Town & City	2
Oils	
Brit. Petroleum	45
Burmah Oil	7
Shell	28
Ultramar	22
Mines	
Charter Cons.	12
Chartered Fin.	35
Cons. Gold	20
Rio T. Zinc	18

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Tuesday November 29 1977

Fukuda reshuffles Japanese Cabinet

BY CHARLES SMITH TOKYO, Nov. 28.

JAPAN'S Prime Minister to-day completed a sweeping re-shuffle of his Cabinet, setting the stage for decisive negotiations with the U.S. and Europe on ways to *reduce the nation's foreign trade* surplus.

Mr. Takeo Fukuda's new Cabinet, all but one of whose 21 members are fresh in their jobs, will have the task of agreeing on what is planned to be a *strongly expansionist domestic* budget designed to boost Japan's economy out of recession during 1978.

Cabinet reshuffles at fairly regular intervals are a normal feature of the Japanese political *scene—one reason being that it* is customary for all senior members of the ruling Liberal Democratic Party to be given a periodic taste of office. To-day's re-shuffle, however, is unusual, both in the speed with which it was carried out—the full list of Ministers was announced only three days after the end of the autumn Diet session—and in the wholesale nature of the operation.

The only one to be left in his place is Mr. Mitsuo Setoyama, Justice Minister, who assumed office three months ago and evidently was felt to be too new *to move. All other major Mini*sters, including those in charge of finance, international trade and industry and economic planning, are being replaced, with *the new team generally appear*ing stronger and more likely to adopt controversial or unpopular economic policies than its predecessors.

One of the key figures in Mr. Fukuda's new line-up is Mr. Toshio Komoto, Minister of International Trade and Industry. He is a businessman-turned-politician *—he was president of one of* Japan's largest shipping companies—who is associated with a vigorously expansionist economic philosophy.

Another is Mr. Kiichi Miyazawa, at the Economic Planning Agency, *who combines economic* expertise with an unusually internationalist outlook by the standards of Japanese politics. Another important figure is Mr. Nobuhiko Ushiba, a former Japanese Ambassador to Washington, who has been given the new post of Minister in Charge of External Economic Relations.

Pressing agenda

The new Cabinet has three days in which to complete the first task *on a rather pressing* agenda. This is the drafting of a final Japanese position for the so-called high-level talks to be held in Brussels on December 1 *and 2 with the EEC.*

The talks are a twice-yearly event and sometimes have appeared to be largely routine, but the current meeting will be *of unusual importance for two* reasons.

One is that Japan and the EEC —to be represented by Mr. Wilhelm Haferkamp, Commis*sioner for External Relations*— will be meeting for the last time in a bilateral context before the start in Geneva of January's final phase of negotiations on the General Agreement on Tariffs and Trade.

The other reason is that Europe, like the U.S., is showing concern about the size of its visible trade deficit with Japan —expected to reach $5bn. during the calendar year. Measures to improve access for European products to the Japanese market, as well as problems involving Japanese exports of steel, ships, *cars, etc., will fill much of the* two-day discussion.

But the talks will be overshadowed by the EEC's knowledge that Japan shortly will be entering on a *crucial set of dis*cussions with the U.S. The EEC side will seek to impress its view that any concessions Japan offers to the U.S.—for instance tariff *cuts—should be extended to* Europe as well.

● The reshuffle generally was welcomed in top business and banking circles. Share prices *rose sharply on the Tokyo* exchange.

David Bell adds from Washington: The United States to-day rejected suggestions that recent *intense pressure on the Tokyo* Government to reduce its trade surplus had been a major factor

Mr. Hodding Carter, of the State Department, said that it *appeared that the changes had* been planned for some time.

However, it is widely felt here that pressure from the U.S. Administration, which has not *been well received by the* Fukuda Government, did play a part in the decision to reshuffle the cabinet.

Fukuda's Three Wise Men, Page 7

Rhodesia claims 1,200 killed in raids on Mozambique

BY TONY HAWKINS SALISBURY, Nov. 28.

THE Rhodesian Government confirmed to-day that Rhodesian forces penetrated deep into Mozambique last week in what was probably the biggest military operation yet launched in the guerilla war.

In the first official comment *on last week's attacks, first* reported from Mozambique, combined operations headquarters said here that two guerilla base camps inside Mozambique *had been destroyed and 1,200* guerillas killed.

The first attack took place last Wednesday and destroyed the main headquarters near Chimoio of ZANLA (Zimbabwe African National Liberation Army), the guerilla forces owing prime allegiance to Mr. Robert Mugabe of the Patriotic Front.

The second attack was launched on Saturday against the ZANLA base *at* Tembue, about 220 km. inside Mozambique and north-east of the Cabora Bassa Dam. Chimoio is about 90 km. from the Rhodesian border town of Umtali in Manica province.

The strikes against two key camps were seen here as intended to limit the high levels *of ZANLA incursions into* Eastern and South-eastern Rhodesia and to demonstrate to nationalist opinion that the most constructive way to obtain majority rule in the country is through negotiations.

There can be little doubt that ZANLA's military strength will *have been weakened as a result* of the attacks. However, it is not clear whether the attacks will have advanced the government's political objectives.

There was no immediate reaction to-night from Bishop Muzorewa and the Rev. Ndabaningi Sithole, the main two African leaders who have accepted Mr. Smith's invitation to talks. Since both claim to *have followers among the* guerilla armies, it is unlikely that they will let confirmation of the raids go by without protest.

Jubilant

[In Lusaka yesterday, Mr. Joshua Nkomo, joint leader of the Patriotic Front, spoke of the "audacity" of Mr. Ian Smith, the Rhodesia Prime Minister, in discussing an internal settlement in Rhodesia "while he sends his soldiers to crush hundreds of young Zimbabweans."]

Both attacks involved a com*bined air and ground operation* and, according to the official statement, there had been no "interference" from or contact with the Frelimo troops of Mozambique. One Rhodesian soldier had been killed and eight wounded in the operation.

Rhodesia has admitted a number of previous large-scale incursions including the May 1977 attack on the town of Mapai, when there were very few guerilla casualties, and the Nyadozonya attack in August 1976 when the Rhodesians claimed more than 300 guerilla casualties.

There is caution and concern in some quarters at possible repercussions. It is felt, for *instance, that the success of such* raids increases the likelihood of third-party intervention—from the Cubans for instance. It is understood that Rhodesian forces *near the eastern border towns* have been strengthened.

David Bell adds from Washington: The U.S. to-day hardened its position on the Smith one-man-one-vote initiative. The State Department called on the Rhodesian Prime Minister to spell out what he meant by "majority rule on the basis of adult suffrage" and said it was vital that nationalist elements outside as well as inside the country must be able to participate in free elections

Beaverbrook to appeal to-day against judge's refusal

BY CHRISTIAN TYLER, LABOUR EDITOR

BEAVERBROOK NEWSPAPERS is to appeal this morning against a judge's refusal yesterday to *grant it an injunction* which would in effect enable the Daily Express to print extra copies during the pay dispute at the Daily Mirror.

Beaverbrook *management* was clearly taken aback by the decision of Mr Justice Cusack rejecting its attempts to stop the Society of Graphical and Allied Trades (SOGAT) telling its members not to allow the extra print run.

Mr. Victor Matthews, chairman of Beaverbrook, said last night he did not know of a similar legal case in the past, and *that to-day's appeal hearing in* public "is making history in a way."

Mr. Bill Keys, SOGAT general secretary, claimed in a letter to Mr. Matthews that the Express management's proposed action *could deal "a mortal blow" to* the Mirror.

"You seek to promote the declining sales of the Daily Express to the disadvantage of the Daily Mirror, *when that paper* has no means of defending itself," the letter claims.

Mr. Keys asks for space in the Express to reply to a front-page editorial last Friday which he says was "a personal attack on myself."

Mr. Keys said that many thousand SOGAT members *would be unemployed if the* Mirror dispute was not quickly settled.

The Daily Mirror was not being published in London again *last night because of the* journalists' pay dispute. The management has withdrawn a £1,533-a-year offer after talks with the Employment Department.

Max Wilkinson writes: Sir Richard Marsh, *chairman of the* Newspaper Publishers Association, warned yesterday that Fleet Street newspapers could not all survive unless labour relations *were improved.*

He strongly condemned recent wildcat strikes, which, he said, were costing the industry millions of copies and were threatening the survival of some titles.

Sir Richard was opening an *exhibition of modern printing* machinery at the U.S. Trade Centre.

"I am depressed because we have to face the fact that despite *Fleet Street provides some of* the highest-paid employment in the land, we have not received the co-operation from the shop floor that is essential," Sir Richard said.

Express pay deal, Page 12

Weather

U.K. TO-DAY

COLD and dry. Showers S.W. and far N.

London, S.E., N.W., N.E., Cent. N. and S. Midlands, Channel I., Wales, Lakes, I. of Man, Borders, S.W. Scotland
Frost, dry sunny spells. Max. 3-4C (37-39F).

S.W. England
Light wintry showers possible. Max. 6C (43F).

Edinburgh, Dundee, N. Ireland
Dry, freezing fog patches. Max. 0-2C (32-36F).

Aberdeen, Highlands, Moray Firth
Frost, dry, sunny. Max. 1-3C (34-37F).

N.E. Scotland, Orkney, Shetland
Cloudy, scattered showers. Max. 7C (45F).

Argyll, N.W. Scotland
Dry, sunny spells. Max. 6C (43F).

Outlook: Dry, sunny patches. Fog in many areas.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amstrdm.	S	2	36	Madrid	C	7	45
Athens	S	17	63	Manchstr.	C	5	40
Bahrain	S	23	73	Melbourne	Sh	21	70
Barcelona	C	7	45	Mexico C.	S	26	78
Beirut	F	21	70	Milan	F	5	41
Belfast	S	4	39	Montreal	Sn	−6	21
Belgrade	C	4	39	Moscow	Sl	1	34
Berlin	F	2	36	Munich	Sn	−3	25
Birmghm.	S	4	39	New'castle	R	4	39
Bristol	C	2	37	New York	C	4	39
Brussels	S	0	32	Oslo	S	−1	30
Budapest	F	2	36	Paris	S	1	34
B. Aires	S	26	75	Perth	F	27	81
Cairo	S	15	59	Prague	S	−1	30
Cardiff	S	3	37	Reykjavik	R	3	37
Chicago	S	−9	16	Rio de J'o	S	32	89
Cologne	S	0	32	Rome	F	12	53
Copnhagn.	C	1	34	Singapore	R	30	86
Dublin	C	7	45	Stockholm	C	1	34
Edinburgh	F	−1	30	Strasbrg.	C	1	34
Frankfurt	S	0	32	Sydney	F	25	77
Geneva	S	2	36	Tehran	C	15	59
Glasgow	Fg	−2	28	Tel Aviv	S	21	70
Helsinki	C	−6	21	Tokyo	C	16	60
H. Kong	S	19	66	Toronto	Sn	−4	25
Jo'burg	C	25	77	Vienna	C	2	36
Lisbon	Fg	9	48	Warsaw	C	1	34
London	S	5	41	Zurich	Sn	0	32
Luxembrg.	S	−2	28				

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	F	10	50	Istanbul	F	13	55
Algiers	S	17	63	Jersey	F	2	36
Biarritz	S	4	39	Las Plms.	C	20	68
Blackpool	F	4	39	Locarno	S	3	37
Bordeaux	S	2	36	Majorca	C	10	50
Boulogne	S	0	32	Malaga	R	13	55
Cape Twn.	S	22	72	Malta	S	19	66
Corfu	F	13	55	Nairobi	C	20	68
Dubrovnik	S	12	54	Naples	C	8	46
Faro	C	14	57	Nice	S	12	54
Florence	S	10	50	Oporto	F	12	54
Funchal	C	18	64	Rhodes	F	20	68
Gibraltar	R	13	55	Salzburg	Sn	−1	30
Guernsey	C	3	37	Tenerife	C	13	55
Innsbruck	C	−2	28	Valencia	C	9	48
Inverness	S	2	36	Venice	R	9	48
I. of Man	C	6	43				

S—Sunny. F—Fair. C—Cloudy. Fg—Fog. Sh—Showers. Sn—Snow. R—Rain.

Firemen's union to see Premier

BY ALAN PIKE AND PHILIP RAWSTORNE

THE EXECUTIVE of the Fire Brigades Union will see Mr. James Callaghan, the Prime Minister, at Downing Street this *morning to discuss the national* firemen's strike, which entered its third week yesterday.

Though Mr. Callaghan readily agreed to the meeting, there was no sign yesterday that he was prepared to make any conces*sions to the firemen.*

The Cabinet is said to be united in insisting that any settlement must come within the Government's 10 per cent. guidelines.

Reports that some Ministers have promoted possible solutions to the pay dispute and that the Prime Minister had vetoed them *were denied.*

Home Office officials have considered a number of suggestions for resolving the pay deadlock, but have apparently discarded *them, either because they* breached the guidelines or they were clearly unacceptable to the firemen.

Ministers emphasised yesterday that the Government had no intention of making any fresh offers to the firemen and that a settlement would have to be *found in further negotiations be*tween the firemen and the local authorities.

The decision to seek a meeting with Mr. Callaghan came when the 16-man executive of the union met in London yesterday.

Executive members throughout the country reported that support for the strike remained solid and Mr. Terry Parry, general secretary, said after the *meeting that the strike remained* firm.

Despite the support for the strike among the union's members the leadership is faced with having to make a move which may break the stalemate.

The union will stress to the Prime Minister the apparent strong public support which the firemen's case has attracted and remind him that the problems surrounding fire brigade pay are long-standing.

Officers may strike, Page 12

Swan Hunter Polish order vote to-day

BY CHRISTIAN TYLER, LABOUR EDITOR

BRITISH SHIPBUILDERS will decide to-day whether Swan Hunter is to get its intended *share of the £115m. Polish ships* order, after a mass meeting at which outfitting craftsmen will be urged by union officials to life a long overtime ban.

Both the company and the State concern made it plain last night that they saw to-day's meeting as the last chance.

If the 1,700 men turn down their shop stewards' advice, Shipbuilders will announce to-day or to-morrow the placings of the £52m. contract for seven bulk-carriers elsewhere.

At the same time the company might start issuing redundancy notices to about 700 workers.

Other shipyards in the North-East are thought already to have been earmarked for Swan Hunter's part of the order, although it would take a day or two to secure the necessary *guarantees being awaited from* Swan Hunter's workers.

Hopes of a last-minute reprieve after the expiry of the original deadline at Friday mid*night came after a four-hour* meeting of shop stewards, who with full-time union officials decided to tell the men that unless the overtime ban was *lifted the order would be lost.*

The outfitters' ban has lasted 14 weeks. It is for immediate pay parity *with boilermakers,* a claim estimated at about £7 a week.

No concessions were made by the company yesterday. It has *insisted all along that it cannot* vary rates now because that would infringe both the TUC's 12-month rule and the Government's 10 per cent. earnings guideline.

Mr. Norman Sloan, a director of Swan Hunter, said last night: "I would think that the wrong answer to-morrow would take us *back to square one with a ven*geance." But if the ban were lifted, the first step would be to get the claim back into procedure.

A spokesman for British Shipbuilders said: "If we get some sign from Swan Hunter that they are going to change their minds and give the undertaking, then in all probab*ility activities* in terms of reallocating the work will stop."

The craftsmen, who fit out ships once the boilermakers have built them, have long sought to narrow the traditional differential between the two groups. The present dispute dates from 1975.

Boilermakers had a rise in June, but the £6 pay policy came down before the outfitters' settle*ment in January the following* year.

TUC suggests key role for pension funds

BY NICHOLAS COLCHESTER

AN INVESTMENT in industry with a minimum rate of return based on that available on gilt-edged securities is the carrot *with which the Trades Union* Congress would like to lure the pension and insurance funds into financing the capital investment of British companies.

The TUC made this novel suggestion in oral evidence to *the Wilson inquiry into the* City, which is published to-day. Mr. David Lea, a TUC economist, was explaining to the committee how the £1bn.-a-year lending facility *proposed by the TUC in its* written evidence could be made palatable to institutions whose managements were committed to making the best rate of return *on their deposits, be they for* insurance or pension payments.

In this second volume of evidence, the pension funds emerge alongside small companies as a subject that has particularly caught Sir Harold Wilson's eye.

He says at one point: "The pension funds are sitting very pretty. They are so powerful that they do not know how powerful they are. They could well be transforming the nature of our society more than any Government would dare to do . . . I wonder whether one of the *things we must investigate is the* complete change, not in our terms of reference, but in the ambience of examining the role of the pension funds."

The new volume contains the written and oral evidence from the Confederation of British Industry, the TUC and the Association of Independent Businesses.

The CBI reveals that it is to submit evidence in December on the relationship between the shareholder and industry — a *topic relevant to questions of in*stitutional involvement in industry.

It also talks of a study by the CBI showing that even a rela*tively minor industrial invest*ment takes two-and-a-half years between inception and realisation, and that investment spending therefore reacts only *gradually to changes in the busi*ness climate.

Details, Page 11: Editorial Comment, Page 18

Continued from Page 1

Egypt less isolated

bilateral dealings with Egypt because of the *obvious disarray* in the Arab camp. Some also suspect that there are serious divisions within the Israeli Cabinet *over reaction to Mr. Sadat's* efforts to by-pass procedure and get immediately to the substance of the Middle East dispute.

This by-passing of Geneva procedures by attempting to get all the participants to Cairo without *preconditions* has *apparently* been emphasised in contacts between the Egyptian Foreign Ministry officials and members of the PLO.

Although Israel has always refused to consider negotiating with the PLO the presence in Cairo next week of one or two *representatives of Palestinians* living in the occupied West Bank has not been entirely discounted.

David Lennon writes from Tel Aviv: Israel has named its *two delegates to the Cairo con*ference called by Egypt to prepare for the Geneva peace conference. A letter has been sent by Mr. Menahem Begin, Israel's Prime Minister, to Ahmed Ismat Abdel-Meguid, the Egyptian Ambassador at the UN, notifying *him of Israel's acceptance of the* invitation to Cairo.

Mr. Begin told the Knesset that he had appointed the director of his office, Dr. Eliyahu Ben Elissar, and the legal adviser of the Foreign Ministry, Dr. Meir Rosenne, as Israel's *representa*tives at the informal meeting in Cairo.

In big speech following the announcement, Mr. Begin made *no hint of any Israeli conces*sions to the Egyptians. He reiterated that Israel and Egypt had differences of opinion on the substance of a peace settlement

● Palestinian and Lebanese Left-wing guerilla forces are preparing a *unilateral pullback from* Lebanon's Southern border with Israel to defuse year-old fighting there, according to guerilla sources in the area, UPI reports *from Beirut. The sources said* that guerilla officials in the South met yesterday with Lebanese Army officers to discuss the details of the withdrawal,

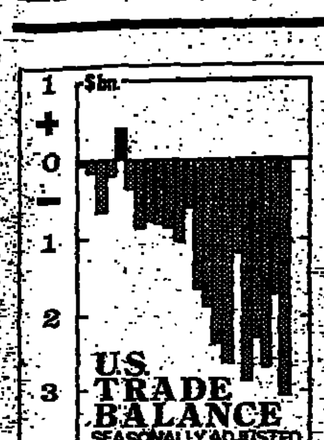
THE LEX COLUMN

TUC's eyes on pension funds

The U.S. authorities described September's uncannily low trade deficit of $1.7bn. as an "aberration" and they are maintaining much the *same* line about yesterday's record $3.1bn. deficit *for October.* The East coast dock strike is distorting the *figures* and the underlying deficit is still running at an annualised $27bn.

But the foreign exchange markets are not really convinced and the dollar continues to weaken. A few months ago few would have believed that the yen/dollar rate could have moved up so quickly to Y240, the D-Mark rate to DM2.21 and the Swiss *Franc* rate to SwFrs.2.14. In the short term there could be scope for some recovery on technical grounds, but over the longer term the weakness of the dollar *is* only going to force OPEC investors to diversify their portfolios.

Index fell 1.5 to 464.5



Sterling Eurobonds

Fears that the fledgling sterling Eurobond market had been torpedoed by last week's 2 per cent. leap in Minimum Lending Rate proved somewhat prema*ture.* Yesterday saw *two new* issues—£25m. for the European Investment Bank and £10m. for Fisons.

The EIB issue carries a 9¾ per cent. coupon and is the longest yet; if the purchase fund does not operate it has a life of 15 years. However, the Fisons issue is much the more interesting of the two, since it *is the first time that a British* industrial company has tried to tap the market and unlike the other issues there is no provision for a sinking fund. Although Fisons' name is fairly well known, in terms of size it is only the 140th largest U.K. industrial company and the *issue will be a real test for the* market's appetite.

If *successful* there will undoubtedly be a large number of medium sized U.K. companies wanting to follow suit. The issue carries an expected 10 per coupon and another half a point can effectively be added *on for the fee but even so this* is cheap money for Fisons whose existing unsecured loan stock—5¾ per cent. 2004/09—is yielding over 12 per cent. Meanwhile, the most comparable gilt —Funding 6¼ per cent. 1985/87 —is yielding around 9¼ per cent., so Fisons does not appear *to be paying too high a premium* and it does not have to observe *all the rigorous covenants* attached to a conventional U.K. debenture issue. However, it *is still far from clear whether* overseas investors want to fill their portfolios with the paper of medium-sized U.K. industrial companies so the latter would be well advised to get in while the going is good.

Edinburgh & Dundee

This afternoon brings the close of Britrailpen's offer for Edinburgh and Dundee Investment Trust, and the investment trust sector was moving up modestly against the general *trend yesterday. With E and D's own price 1p higher at 149p,* the market may be inclining a little more in favour of the offer's success, but it is still regarded as a very open question. Word from the Britrailpen camp is that acceptances from small shareholders have been "reasonably encouraging" but then expectations from that *direction cannot have been very* high *in this* contested situation. The crucial factor will be the level of institutional acceptances which come in to-day.

Without a good level of institutional support Britrailpen cannot achieve a 50 per cent. acceptance level and it is likely to withdraw in that event. That would be a bitter pill for the *trust sector to swallow, though* it would still be possible for *the Coal Board funds to* succeed with the rather more aggressively pursued bid for the British Investment Trust.

If Britrailpen gets to 50-60 per cent. acceptances there could still be a tricky negotiating period. An obstinate minority could prevent the *funds getting the potential tax* benefits; on the other ... agreement by the E and ... would open the way ... better terms.

Spending £1bn.

At lunch with the N... Coal Board pension fund ... scales fell from Sir H... Wilson's eyes. "These ... are so powerful they do... how powerful they ... quoted as saying in the ... Committee's latest volum... *oral evidence. So now* ... pension funds and not ... companies that are form... centrepiece of the Wilson ... mittee's enquiries.

Soon afterwards the ... gave evidence before the ... mittee and explained ... pension funds could join ... the Government in p... £1bn. a year into British ... try to maximise the gro... the U.K. economy and ... full employment. They ... become involved in this ... tial paradise for lame ... with a good professiona... science because the Gover... would guarantee a mi... rate of return not unrel... that on gilts. And as ... maximum rate of retur... sky was to be the limit.

Professor Bain, one C... tee member, argued in va... the Government might ... *issue the appropriate q*... of gilts and invest the ... itself, or that the Gover... could already manipulat... market sufficiently to l... good old quest for high r... lead the funds in the ... direction. No, replied the ... the point was to get the i... tions "*involved*," to give ... guarantee so that "they ... *be very happy to part*... voluntarily in partnershi... the Government in a ... whereby they could be ... more adventurous."

The discussion goes t... what a threat to the fre... tioning of the capital ... the size of the pension ... has become. These ... gather in more than ... *every year, to be investe*... relatively small numb... managers. Such a flow of ... at a time of slow grow... intractable unemploymen... be politically vulnerabl... the small body of cautio... deciding where it is to ... vested will find it hard t... becoming "voluntarily ... volved in "planning" ... *industrial future.*

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd., 1977